Salvatore Ferragamo Group
Annual Report as at 31 December 2015

Salvatore Ferragamo S.p.A.

Florence

Contents

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

General information

Registered office

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

Legal information

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

Salvatore Ferragamo Group

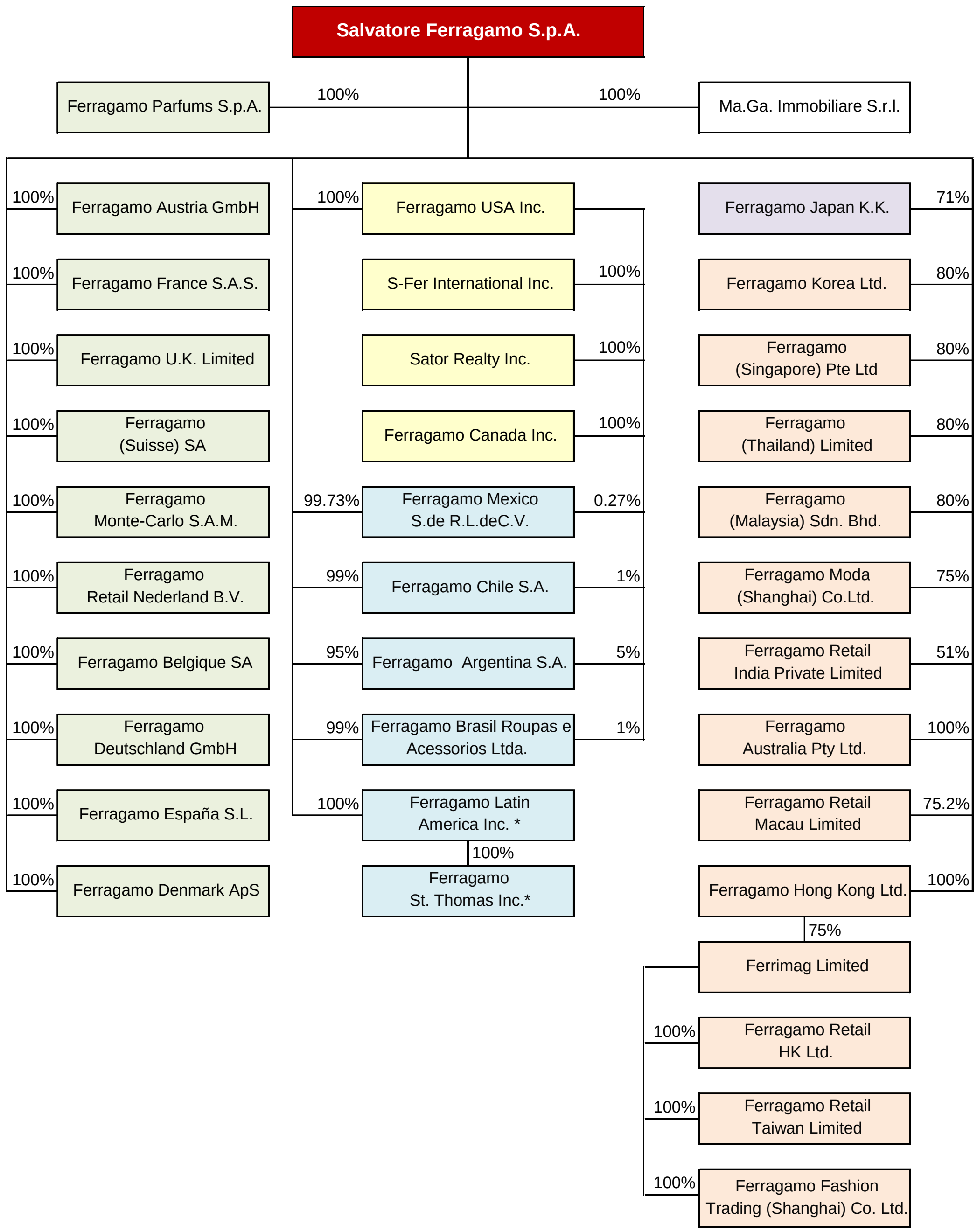
Board of Directors' report on operations as at 31 December 2015

Corporate boards

Board of Directors (1)	Ferruccio Ferragamo (4)	Chairman
	Michele Norsa (4)	Managing Director
	Giovanna Ferragamo (5)	Deputy Chairman
	Fulvia Ferragamo (5)	
	Leonardo Ferragamo (5)	
	Francesco Caretti (5)	
	Diego Paternò Castello di San Giuliano (5)	
	Peter Woo Kwong Ching (5)	
	Piero Antinori (5)	
	Umberto Tombari (5)(6)	
	Marzio Saà (5)(6)	
	Chiara Ambrosetti (5)(6)	
	Lidia Fiori (5)(6)	
Control and Risk Committee	Marzio Saà	Chairman
	Umberto Tombari	
	Chiara Ambrosetti	
Nomination and Remuneration Committee	Umberto Tombari	Chairman
	Marzio Saà	
	Lidia Fiori	
Product and Brand Strategy Committee	Ferruccio Ferragamo	Chairman
	Michele Norsa	
	Fulvia Ferragamo	
	Leonardo Ferragamo	
Board of Statutory Auditors (2)	Fulvio Favini	Chairman
	Gerolamo Gavazzi	Acting Statutory Auditor
	Alessandra Daccò	Acting Statutory Auditor
	Lorenzo Galeotti Flori	Substitute Statutory Auditor
	Deborah Sassorossi	Substitute Statutory Auditor
Independent Auditors (3)	Reconta Ernst & Young S.p.A.	
Manager charged with preparing Company's Financial Reports (7)	Marco Fortini	

(1) Appointed by the Shareholders' Meeting on 24 April 2015 and serving for the 2015-2017 period
(2) Appointed by the Shareholders' Meeting on 29 April 2014 and serving for the 2014-2016 period
(3) Appointed for the 2011- 2019 period
(4) Executive director
(5) Non-executive director
(6) Independent director pursuant to art. 148, paragraph 3 of the Consolidated Law on Finance and the Corporate Governance Code
(7) Appointed by the Board of Directors on 16 December 2015

Group structure



Notes

- European companies
- North America companies
- Centre/South America companies
- Asia Pacific companies
- Japan companies
- * Non-operating company in liquidation

Group description

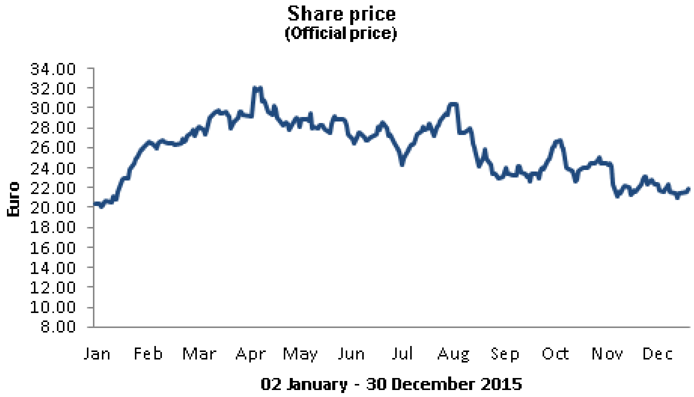
As at 31 December 2015, the Salvatore Ferragamo Group consists of Salvatore Ferragamo S.p.A. (Parent company) and the following consolidated subsidiaries in which the Parent company holds majority stakes, both directly or indirectly, and which it controls.

Salvatore Ferragamo S.p.A.	Parent company, owner of the Ferragamo and Salvatore Ferragamo brands, as well as of numerous other figurative and shape-based trademarks; it undertakes production activities and it manages the retail distribution channel in Italy and the wholesale channel in Italy and abroad and acts as a holding company.
Europe	
Ferragamo Retail Nederland B.V.	It manages directly operated stores (DOS) in Holland
Ferragamo France S.A.S.	It manages directly operated stores (DOS) in France
Ferragamo Deutschland GmbH	It manages directly operated stores (DOS) in Germany
Ferragamo Austria GmbH	It manages directly operated stores (DOS) in Austria
Ferragamo U.K. Limited	It manages directly operated stores (DOS) in the United Kingdom
Ferragamo (Suisse) SA	It manages directly operated stores (DOS) in Switzerland
Ferragamo Belgique SA	It manages directly operated stores (DOS) in Belgium
Ferragamo Monte-Carlo S.A.M.	It manages directly operated stores (DOS) in the Principality of Monaco
Ferragamo Espana S.L.	It manages directly operated stores (DOS) in Spain
Ferragamo Denmark ApS	It manages directly operated stores (DOS) in Denmark
Ma.Ga. Immobiliare S.r.l.	Real estate company which owns plots of land near the facility of Salvatore Ferragamo S.p.A. located at Osmannoro-Sesto Fiorentino
Ferragamo Parfums S.p.A.	Licensee of the Ferragamo and Ungaro brands for the production and distribution of the fragrances product category
North America	
Ferragamo USA Inc.	It distributes and promotes products in the USA and acts as a sub-holding for North America (USA and Canada)
Ferragamo Canada Inc.	It manages the retail and wholesale channels in Canada
S-Fer International Inc.	It manages directly operated stores (DOS) in the USA
Sator Realty Inc.	It manages directly operated stores (DOS) in the USA and real estate assets
Central and South America	
Ferragamo Latin America Inc.	Non-operating company in liquidation
Ferragamo St. Thomas Inc.	Non-operating company in liquidation
Ferragamo Mexico S. de R.L. de C.V.	It manages directly operated stores (DOS) and the wholesale channel in Mexico
Ferragamo Chile S.A.	It manages directly operated stores (DOS) in Chile
Ferragamo Argentina S.A.	It manages directly operated stores (DOS) in Argentina
Ferragamo Brasil Roupas e Acessorios Ltda.	It manages directly operated stores (DOS) in Brazil
Asia Pacific	
Ferragamo Hong Kong Ltd.	It distributes and promotes products in Asia and acts as a sub-holding for the Chinese area (Hong Kong, Taiwan, PRC)
Ferragamo Australia Pty Ltd.	It manages directly operated stores (DOS) in Australia
Ferrimag Limited	Sub-holding company for the Chinese area (Hong Kong, Taiwan, PRC)
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	It manages directly operated stores (DOS) and the wholesale channel in the People's Republic of China
Ferragamo Moda (Shanghai) Co. Ltd.	It manages directly operated stores (DOS) in the People's Republic of China
Ferragamo Retail HK Limited	It manages directly operated stores (DOS) in Hong Kong
Ferragamo Retail Taiwan Limited	It manages directly operated stores (DOS) in Taiwan
Ferragamo Retail Macau Limited	It manages directly operated stores (DOS) in Macau
Ferragamo Retail India Private Limited	It manages directly operated stores (DOS) in India
Ferragamo Korea Ltd.	It manages directly operated stores (DOS) and the wholesale channel in South Korea
Ferragamo (Singapore) Pte Ltd	It manages directly operated stores (DOS) and the wholesale channel in Singapore and Indonesia
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 2015 in Euro	21.90213
Minimum price as at 6 January 2015 in Euro (1)	19.75
Maximum price as at 9 April 2015 in Euro (1)	32.55
Stock Market capitalization as at 31 December 2015 in Euro	3,696,860,523
Number of shares making up the share capital as at 31 December 2015	168,790,000
Number of outstanding shares (free float)	44,747,040

Here below is the trend in Salvatore Ferragamo's share price during 2015.



Alternative performance measures

In order to better assess its performance, the Group makes use of some alternative performance measures which are not identified as accounting measures under IFRS. Therefore, the determination criterion applied by the Group may differ from that adopted by other groups and, therefore, the balance may not be comparable.
The definitions of the alternative performance measures adopted in the Board of Directors' report on operations are provided below:

EBITDA: it is *Operating profit* before *Amortization and depreciation and write-downs of tangible/intangible assets*.

Net working capital: it is calculated as *Inventories* plus *Trade receivables*, net of *Trade payables*. It should be noted that this measure has been determined in accordance with the provisions of CESR's Recommendation 05-178/b of 3 November 2005 "CESR's Recommendation on alternative performance measures".

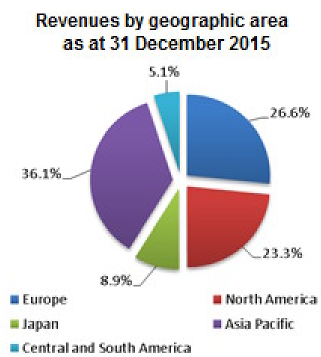
Net invested capital: it is the total amount of *Non current assets* and *Current assets*, excluding financial assets (*Other current financial assets* and *Cash and cash equivalents*) net of *Non current liabilities* and *Current liabilities*, excluding financial liabilities (*Current and non current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

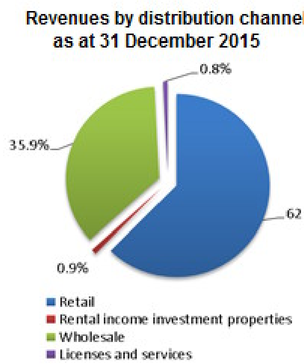
Net financial debt: it is calculated as *Current and non current interest-bearing loans & borrowings* plus *Other current and non current financial liabilities* including the negative fair value of derivatives (non-hedge component), net of *Cash and cash equivalents* and *Other current financial assets*, including the positive fair value of derivatives (non-hedge component). This measure has been determined in accordance with the provisions of CESR's Recommendation 05-178/b of 3 November 2005 "CESR's Recommendation on alternative performance measures".

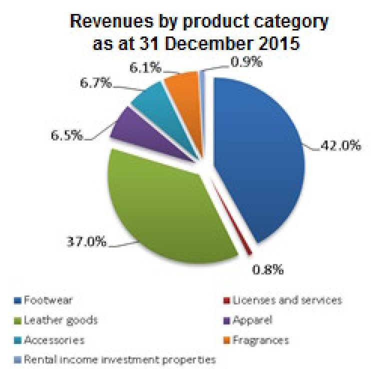
(1) Minimum and maximum prices recorded during the day's trading session and, therefore, not coinciding with official and reference prices on the same date.

1. The Group's main income and financial results for the year 2015

(In millions of Euro)	2015	2014	2013	% change 2015 vs 2014	% change 2014 vs 2013
Revenues	1,430.0	1,331.8	1,258.0	7.4%	5.9%
Gross profit	948.1	848.4	799.1	11.7%	6.2%
Gross profit %	66.3%	63.7%	63.5%		
EBITDA	324.3	292.9	260.0	10.7%	12.7%
EBITDA %	22.7%	22.0%	20.7%		
Operating profit	264.6	245.4	219.1	7.8%	12.0%
Operating profit %	18.5%	18.4%	17.4%		
Net profit/(loss) for the period	174.5	163.5	160.0	6.7%	2.2%
Net profit/(loss) – Group	*172.7*	*156.6*	*150.5*	*10.3%*	*4.1%*
Net profit/(loss) – minority interests	*1.7*	*6.9*	*9.5*	*(75.3%)*	*(27.0%)*







(In millions of Euro)	31 December 2015	31 December 2014	31 December 2013
Investments in tangible/intangible assets	80.0	82.9	82.3
Net working capital	316.9	301.9	209.4
Shareholders' equity	608.7	508.2	399.8
Net financial debt	9.8	49.4	32.6
Cash flow generated from operating activities*	197.5	142.0	147.9

*** *For a better explanation, the changes in guarantee deposits (formerly included in cash flow from investing activities) have been included in the cash flow generated from operating activities, adjusting the comparative data of 2014 and 2013 accordingly.*

	31 December 2015	31 December 2014	31 December 2013
Staff as at the reporting date	4,033	3,900	3,764
Number of DOS	391	373	360
Number of TPOS	271	270	264

Disclaimer
This document contains forward-looking statements, in particular in the sections headed "Macroeconomic situation and outlook" and "Significant events occurred after 31 December 2015" relating to future events and the operating, income and financial results of the Salvatore Ferragamo Group. These statements are based on the Group's current expectations and forecasts regarding future events and, by their nature, involve risks and uncertainties since they refer to events and depend on circumstances which may, or may not, happen or occur in the future and, 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.

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:

- a network of single Salvatore Ferragamo brand stores, managed both directly (DOS) and by third parties (TPOS);
- 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 the company Ferragamo Parfums S.p.A. and third parties which mainly serve a network of selected 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.

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.

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 and Mexico;
- 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 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. 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.

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.

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 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 operational performance objectives

The Group intends to continue to leverage the Italian spirit of the brand and the 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 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 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 the monitoring of distribution which is done through:

- a network of directly operated Ferragamo single brand stores (DOS), which as at 31 December 2015 numbered 391 (the so-called retail channel);
- a network of tailored single brand stores and/or stores-in-stores managed by third parties (TPOS), which as at 31 December 2015 numbered 271, 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 2015 was 662.

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, at 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 on markets which 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

During 2015 the composition of the Salvatore Ferragamo Group saw the following changes:

- in January 2015 the Danish company Ferragamo Denmark ApS was set up (100% owned by Salvatore Ferragamo S.p.A.);
- in July 2015 Salvatore Ferragamo S.p.A. purchased all the stakes of Ma.Ga. Immobiliare S.r.l. in order to make available further building plots of land owned by said company and needed for the expansion of the Osmannoro-Sesto Fiorentino facility in order to build the new logistics center.

For further details reference should be made to the section "Significant events occurred during the year".

Effect of exchange rate changes on operations

The decisions of central banks have strongly influenced the performance of the currency markets during 2015. The most important events occurred in the first and the last month of the year. In January, Switzerland unexpectedly removed the exchange rate floor between the Euro and the Swiss franc generating considerable volatility in the market. The European Central Bank announced the launch of a Eurosystem asset purchase program. In December the US Federal Reserve, having long prepared the markets for the event, made its first rate hike since 2006 from 0.25% to 0.50%, while the ECB confirmed and extended the monetary stimulus measures until 2017. Meanwhile the market felt the impact of the events relating to the refinancing of Greece, the implementation of the European quantitative easing program, the concerns about the slowdown in Chinese growth, rapidly propagating to emerging countries and global stock markets, the deliberate depreciation of the Chinese renminbi against the US dollar and the inclusion of the Chinese renminbi in the Special Drawing Rights of the International Monetary Fund as a reserve currency, the collapse in oil and raw material prices, geopolitical tensions, especially in the Middle East, and international terrorism. In addition, the year was characterized by maximum divergence between the monetary policies adopted by the US Federal Reserve, which began the rate hike cycle, and those of other major central banks which continued with their markedly expansionary approach. The US dollar benefited, appreciating significantly in terms of the nominal effective exchange rate.
The increasingly expansionary monetary policy of the ECB resulted instead in the depreciation of the Euro. Depreciation against the US dollar had already begun following the announcement of the Eurosystem asset purchase program in November 2014. The change was particularly rapid in the first quarter: from 1.21 at the beginning of the year, the EUR/USD rate reached its lowest level since 2003 at 1.04. In the following months the Euro regained strength and stabilized in the range between 1.10 and 1.15 as the Fed postponed the timing of the first rate hike. In October, the trend reversed again, and the exchange rate returned to the March lows around 1.05 before ending the year at around 1.09. In 2016 it is believed that US rates will continue to rise, while the Eurozone rates will remain at zero for an even longer period. The effect on exchange rate trends however remains uncertain.
In 2015, the Japanese yen depreciated further against the US dollar, but to a lesser extent than in 2014, because of the failure to expand the QE program by the Bank of Japan. The exchange rate of the Japanese yen against the Euro was affected by the EUR/USD exchange rate trend: the year started with a EUR/JPY exchange rate over 145, then the Japanese currency rapidly strengthened, reaching a low around 126 in mid-April, to then climb back to 140 in June, and then stabilize at values around 135. The renewed weakness of the Euro at year-end led to an exchange rate around 130, and below that level in the first weeks of 2016.
The inclusion of the Chinese renminbi in the Special Drawing Rights basket, with effect from October 2015, is a stimulus for the Chinese monetary authorities to continue with the liberalization of the financial markets. The change in the mechanism for the determination of the central exchange rate against the US dollar was accompanied by an overall depreciation of 2.6%. The measure, mostly attributable to operational reasons, had the effect of increasing the pressure on the exchange rate depreciation and ended up generating significant

turbulence in world financial markets. Towards the end of the year, the Chinese Central Bank announced the release of an effective exchange rate index based on a basket of currencies. The exchange rate further depreciated by about 5.6% leading the USD/CNY rate to values around 6.58. At year-end, the Chinese renminbi exchange rate against the Euro was almost unchanged compared to the value at the start of the year, with the EUR/CNY rate around 7.20.

The economic slowdown in China, with effects on commodity prices, combined with expectations of a rise in US interest rates, led to a phase of destabilization in most emerging countries, whether in Asia, Europe or Latin America. The exchange rate of many currencies reached historic lows against the US dollar, but also against the Euro, although the impact was limited, and in some cases reverted – as was the case for the Indian rupee – by the depreciation of the Euro.

4. The Group's operating performance

2015 confirmed the positive trend which the Salvatore Ferragamo Group has been recording for many years now, with the achievement of strong results in terms of growth in revenues and income compared to 2014, together with a significant strengthening of the financial position which shows a major reduction in net financial debt, mainly due to the significant cash flows from operating activities (197.5 million Euro, +39.1% compared to 2014).
In 2015 consolidated revenues of the Salvatore Ferragamo Group amounted to 1,430.0 million Euro, up by 7.4% compared to the previous year despite the negative effect of the hedging impact amounting to 50.9 million Euro. These positive results help support ever-increasing revenues and confirm the strength of the Ferragamo brand and the world-class quality of its products which relies on the fundamental and strategic approach based on "Made in Italy" excellence, together with the extensive distribution network in different areas worldwide.
The growth in revenues combined with gross profit amounting to 66.3% generated an increase in operating profit (+7.8%) and EBITDA (+10.7%). It is worth noting that the positive results of 2015, albeit affected by favorable exchange rate trends that benefited operators whose products are priced in Euro, are particularly noteworthy because they were achieved despite long-standing market instability, with significant geopolitical tensions in the Middle East, tensions in Europe (the conflict in Ukraine, the embargo on Russia, Greek debt and international terrorism), weakness of emerging countries' economies, particularly Brazil, major difficulties in Hong Kong markets and lastly the slowdown in Chinese growth which certainly had a negative impact on business performance.

The following table shows the main income statement data.

(In thousands of Euro)	2015	% of revenues	2014	% of revenues	% change
Revenues	**1,430,039**	100.0%	**1,331,822**	100.0%	**7.4%**
Gross profit	**948,078**	66.3%	**848,433**	63.7%	**11.7%**
Style, product development and logistics costs	(43,839)	(3.1%)	(43,491)	(3.3%)	0.8%
Sales & distribution costs	(455,452)	(31.8%)	(388,308)	(29.2%)	17.3%
Marketing & communication costs	(72,471)	(5.1%)	(68,047)	(5.1%)	6.5%
General and administrative costs	(109,159)	(7.6%)	(97,631)	(7.3%)	11.8%
Other operating costs	(17,501)	(1.2%)	(16,421)	(1.2%)	6.6%
Other income and revenues	14,944	1.0%	10,881	0.8%	37.3%
Operating profit	**264,600**	18.5%	**245,416**	18.4%	**7.8%**
Net financial income and charges	(13,217)	(0.9%)	(7,436)	(0.6%)	77.7%
Profit before taxes	**251,383**	17.6%	**237,980**	17.9%	**5.6%**
Income taxes	(76,933)	(5.4%)	(74,465)	(5.6%)	3.3%
Net profit/(loss) for the period	**174,450**	12.2%	**163,515**	12.3%	**6.7%**
Net profit/(loss) – Group	172,733	12.1%	156,565	11.8%	10.3%
Net profit/(loss) – minority interests	1,717	0.1%	6,950	0.5%	(75.3%)
Amortization, depreciation and write-downs of tangible/intangible assets	59,740	4.2%	47,518	3.6%	25.7%
EBITDA	**324,340**	22.7%	**292,934**	22.0%	**10.7%**

In 2015 **revenues** totaled 1,430,039 thousand Euro compared to 1,331,822 thousand Euro in the prior year: they increased by 7.4% and they were positively affected by exchange rate trends and negatively affected by the hedging impact. As a matter of fact, the three main currencies other than the Euro in which most Group revenues are generated, i.e. the US dollar, the Chinese renminbi and the Japanese yen, performed as follows in 2015 compared to last year: the US dollar appreciated by 16.5% ([2]), the Chinese renminbi by 14.8% ([3]) and, to a lesser extent, the Japanese yen by 4.3% ([4]) against the Euro, the currency in which the figures in the consolidated financial statements are expressed. Revenues recorded a total increase of 1.4% at constant exchange rates (applying to revenues for 2014 – net of the hedging impact – the average exchange rate of 2015). With reference

[2] With reference to the average Euro/US$ exchange rate in 2015: 1.110; 2014: 1.329
[3] With reference to the average Euro/Cny exchange rate in 2015: 6.973; 2014: 8.186
[4] With reference to the average Euro/Yen exchange rate in 2015: 134.31; 2014: 140.31

to the fourth quarter of 2015 only, revenues amounted to 409,006 thousand Euro, up by 9.0% compared to the prior year quarter (+2.2% at constant exchange rates).

In 2015 **gross profit** was 948,078 thousand Euro compared to 848,433 thousand Euro in the prior year, up by 11.7% due to the positive effect of the exchange rate trends and the increase in sales revenues. Gross profit as a percentage of sales stood at 66.3% compared to 63.7% in 2014. In the fourth quarter of 2015, gross profit was 275,980 thousand Euro, up by 12.6% compared to the prior-year period and with a ratio to revenues of 67.5% compared to 65.3% in the fourth quarter of 2014.

Total **operating costs** (net of other income) totaled 683,478 thousand Euro in 2015, up by 13.3% compared to 2014 and their ratio to revenues increased from 45.3% in the prior year period to 47.8%, both due to the appreciation of the currencies in which part of the operating costs incurred by the Salvatore Ferragamo Group are denominated and higher costs arising from the expansion of the distribution network. In the fourth quarter of 2015, total net operating costs rose from 168,372 thousand Euro to 184,990 thousand Euro, up by 9.9% compared to the fourth quarter of 2014, and their ratio to revenues increased from 44.9% to 45.2%.
Significantly higher revenues as well as higher gross profit resulted in significantly higher **EBITDA** (+10.7%), rising from 292,934 thousand Euro in 2014 to 324,340 thousand Euro, accounting for 22.7% of revenues compared to 22.0% in 2014. In the fourth quarter of 2015, EBITDA amounted to 106,727 thousand Euro compared to 89,766 thousand Euro in the fourth quarter of 2014 (+18.9%) and the ratio to revenues increased from 23.9% in the prior-year period to 26.1%.

In 2015 **operating profit** totaled 264,600 thousand Euro compared to 245,416 thousand Euro in 2014, up by 7.8%. The ratio to revenues remained broadly unchanged, from 18.4% in 2014 to 18.5% in 2015, despite higher amortization and depreciation in 2015 compared to 2014 (+25.7%). In the fourth quarter of 2015, operating profit totaled 90,990 thousand Euro compared to 76,624 thousand Euro in the fourth quarter of 2014 (+18.7% compared to the same period last year), accounting for 22.2% of revenues compared to 20.4% the same period last year.

As noted previously, the hedging impact(5) was significant and had a significant negative effect on the results which, without this impact, would have been markedly up on the previous year, both over the year as a whole and in the fourth quarter. The following table shows this effect.

(In thousands of Euro)	**Year ended 31 December**			**Fourth quarter**		
	2015	**2014**	**% change**	**2015**	**2014**	**% change**
Revenues	1,430,039	1,331,822	7.4%	409,006	375,235	9.0%
Reversal of the hedging impact included in revenues	50,920	(13,862)	na	7,287	1,109	na
Adjusted revenues	**1,480,959**	**1,317,960**	**12.4%**	**416,293**	**376,344**	**10.6%**
Cost of goods sold	(481,961)	(483,389)	(0.3%)	(133,026)	(130,239)	2.1%
Adjusted gross profit	**998,998**	**834,571**	**19.7%**	**283,267**	**246,105**	**15.1%**
Total operating costs (net of other income)	(683,478)	(603,017)	**13.3%**	(184,990)	(168,372)	**9.9%**
Adjusted operating profit	**315,520**	**231,554**	**36.3%**	**98,277**	**77,733**	**26.4%**
Adjusted EBITDA	**375,260**	**279,072**	**34.5%**	**114,014**	**90,875**	**25.5%**

Net financial income and charges totaled 13,217 thousand Euro in charges compared to charges of 7,436 thousand Euro in 2014, mainly due to the increase in net financial charges for fair value adjustment of derivatives. In the fourth quarter of 2015, net financial income and charges totaled 3,973 thousand Euro in charges in 2015 compared to charges of 3,267 thousand Euro in the fourth quarter of 2014.

The tax rate for **income taxes** for 2015 was 30.6% compared to 31.3% in the prior period.

In 2015, the Group posted 174,450 thousand Euro in consolidated **net profit**, compared to 163,515 thousand Euro in 2014, up by 6.7%. The Group share of consolidated net profit amounted to 172,733 thousand Euro compared to 156,565 thousand Euro in the prior-year period, up by 10.3%. In the fourth quarter of 2015, net profit totaled 61,011 thousand Euro compared to 49,695 thousand Euro in the fourth quarter of 2014; Group net profit amounted to 60,468 thousand Euro compared to 47,043 thousand Euro in the fourth quarter of 2014, up by 28.5%.

In 2015 **net financial debt** amounted to 9,760 thousand Euro (1.6% of consolidated shareholders' equity), sharply down compared to 31 December 2014, when it totaled 49,353 thousand Euro (9.7% of consolidated shareholders' equity). In the fourth quarter of 2015, net financial debt fell by 28,538 thousand Euro, falling from

[5] For details on foreign exchange risk management policies reference should be made to the paragraph "*Main risks and uncertainties*" of this document.

38,298 thousand Euro to 9,760 thousand Euro, thanks to cash flows from operating activities amounting to 53.4 million, net of 23.7 million Euro investments in the period (accounting for 29.7% of investments for the whole year). It should be noted that in 2015 as a whole cash flows from operating activities amounted to 197.5 million Euro.

Revenues

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

(In thousands of Euro)	2015	% of revenues	2014	% of revenues	% change	at constant exchange rates % change
Europe	380,625	26.6%	354,816	26.6%	7.3%	6.0%
North America	333,770	23.3%	304,828	22.9%	9.5%	(1.6%)
Japan	127,281	8.9%	111,495	8.4%	14.2%	15.0%
Asia Pacific	515,950	36.1%	496,013	37.2%	4.0%	(3.2%)
Central and South America	72,413	5.1%	64,670	4.9%	12.0%	9.1%
Total	**1,430,039**	**100.0%**	**1,331,822**	**100.0%**	**7.4%**	**1.4%**

Revenues increased at current exchange rates in all markets, also thanks to the further expansion of the retail sales network, while note should be taken of the positive trend of Europe, Japan, Central and South America at constant exchange rates.

Europe saw an increase in revenues of 7.3% at current exchange rates and of 6.0% at constant exchange rates, with the ratio to total revenues unchanged at 26.6% thanks to the positive trend in sales to tourists (travel retail channel), although it was negatively affected by international geopolitical tensions and the still challenging economic backdrop.

The North American market saw an increase in revenues of 9.5% at current exchange rates and a decrease of 1.6% at constant exchange rates. This market was negatively affected by the significant appreciation of the US dollar which had a negative impact on tourist flows and encouraged residents to buy abroad.

Japan recorded an excellent performance throughout 2015, with revenues increasing at both current exchange rates (14.2%) and constant exchange rates (15.0%), with the ratio to total revenues increasing from 8.4% to 8.9%.

Asia Pacific saw an increase in revenues of 4.0% (-3.2% at constant exchange rates) and was negatively affected by the drop in sales on the Hong Kong market and the slowdown in Chinese growth; however, Asia Pacific contributed once again the most to Group revenues with 36.1%.

In 2015 the Central and South American market saw a sharp increase in revenues (12.0% at current exchange rates and 9.1% at constant exchange rates), mainly thanks to the outstanding performance of the Mexican market, and accounted for 5.1% of total revenues.

Revenues by **distribution channel** can be broken down as follows:

(In thousands of Euro)	2015	% of revenues	2014	% of revenues	% change	at constant exchange rates % change
Retail	892,041	62.4%	833,101	62.6%	7.1%	1.3%
Wholesale	513,582	35.9%	478,425	35.9%	7.3%	1.3%
Licenses and services	11,540	0.8%	9,375	0.7%	23.1%	23.1%
Rental income investment properties	12,876	0.9%	10,921	0.8%	17.9%	(1.5%)
Total	**1,430,039**	**100.0%**	**1,331,822**	**100.0%**	**7.4%**	**1.4%**

In 2015 retail sales grew by 7.1% at current exchange rates and by 1.3% at constant exchange rates thanks to the good performance on the European market (+9.9% at current exchange rates and +8.3% at constant exchange rates), the Japanese market (+12.2% at current exchange rates and +13.3% at constant exchange rates), and in Central and South America (+12.0% at current exchange rates and +15.3% at constant exchange rates).
Compared to the situation as at 31 December 2014 the number of directly operated stores (DOS) increased by 18 units.

Also thanks to the good trend of the travel retail channel, the wholesale channel rose by 7.3% at current exchange rates (1.3% at constant exchange rates). In particular, North America rose by 16.8% at current exchange rates and 4.6% at constant exchange rates and the European market rose by 4.3% at current exchange rates and 3.2% at constant exchange rates.

Revenues from licenses and services in 2015 rose significantly by 23.1% compared to 2014; this item mainly consists of royalties for the licensing of the Salvatore Ferragamo brand in the eyewear and watch sectors. In 2015 revenues from royalties amounted to 6,597 thousand Euro compared to 5,041 thousand Euro in the previous year, up by 30.9%.

Revenues from rental income investment properties refer solely to property located in the United States and leased/sub-leased to third parties; the item increased by 17.9% at current exchange rates (a decrease of 1.5% at constant exchange rates).

Here below is a breakdown of revenues which shows the contribution and growth by **product category** in 2015 and 2014.

(In thousands of Euro)	2015	% of revenues	2014	% of revenues	% change	at constant exchange rates % change
Footwear	600,812	42.0%	568,412	42.7%	5.7%	(0.9%)
Leather goods	528,800	37.0%	471,650	35.4%	12.1%	6.4%
Apparel	92,955	6.5%	97,231	7.3%	(4.4%)	(8.4%)
Accessories	95,393	6.7%	90,063	6.8%	5.9%	1.3%
Fragrances	87,663	6.1%	84,170	6.3%	4.1%	(1.8%)
Licenses and services	11,540	0.8%	9,375	0.7%	23.1%	23.1%
Rental income investment properties	12,876	0.9%	10,921	0.8%	17.9%	(1.5%)
Total	**1,430,039**	**100.0%**	**1,331,822**	**100.0%**	**7.4%**	**1.4%**

All the product categories, with the sole exception of apparel, saw a percentage growth in revenues at current exchange rates compared to the previous period. In particular, note should be taken of the positive trend in leather goods which rose by 12.1% at current exchange rates (+6.4% at constant exchange rates), recording the highest growth in absolute terms (57,150 thousand Euro). Significant increases were also recorded by revenues from footwear (+5.7% at current exchange rates) and accessories (+5.9% at current exchange rates).

Cost of goods sold and gross profit

(In thousands of Euro)	2015	% of revenues	2014	% of revenues	% change
Consumables	(254,034)	(17.8%)	(260,390)	(19.6%)	(2.4%)
Services	(219,578)	(15.4%)	(214,965)	(16.1%)	2.1%
Personnel	(7,692)	(0.5%)	(7,423)	(0.6%)	3.6%
Amortization and depreciation	(657)	(0.0%)	(611)	(0.0%)	7.5%
Cost of goods sold	**(481,961)**	**(33.7%)**	**(483,389)**	**(36.3%)**	**(0.3%)**
Gross profit	**948,078**	**66.3%**	**848,433**	**63.7%**	**11.7%**

In 2015 the **cost of goods sold** amounted to 481,961 thousand Euro, broadly unchanged compared to 2014.
Gross profit as a percentage of sales stood at 66.3% compared to 63.7% in 2014.

Style, product development and logistics costs

(In thousands of Euro)	2015	% of revenues	2014	% of revenues	% change
Purchases	(4,656)	(0.3%)	(4,301)	(0.3%)	8.3%
Services	(18,842)	(1.3%)	(20,078)	(1.5%)	(6.2%)
Personnel	(19,792)	(1.4%)	(18,589)	(1.4%)	6.5%
Amortization and depreciation	(549)	0.0%	(523)	(0.0%)	5.0%
Total	**(43,839)**	**(3.1%)**	**(43,491)**	**(3.3%)**	**0.8%**

These costs, which include the expenses of the creative departments and for the freight to deliver the products to their sales markets, were broadly unchanged compared to 2014 (+0.8%).

Sales & distribution costs

(In thousands of Euro)	2015	% of revenues	2014	% of revenues	% change
Retail	(395,171)	(27.6%)	(337,202)	(25.3%)	17.2%
Wholesale	(50,675)	(3.5%)	(43,093)	(3.2%)	17.6%
Distribution logistics	(9,606)	(0.7%)	(8,013)	(0.6%)	19.9%
Total	**(455,452)**	**(31.8%)**	**(388,308)**	**(29.2%)**	**17.3%**

The costs relating to the network of directly operated stores (DOS) increased from 337,202 thousand Euro to 395,171 thousand Euro, up by 17.2% mainly due to exchange rate changes. The impact of these costs on total sales & distribution costs was unchanged at 86.8% for the two years.

Here below is a breakdown by nature of sales and distribution costs:

(In thousands of Euro)	2015	% of revenues	2014	% of revenues	% change
Purchases	(6,274)	(0.4%)	(6,139)	(0.5%)	2.2%
Services	(273,713)	(19.1%)	(232,468)	(17.5%)	17.7%
Personnel	(132,902)	(9.3%)	(116,559)	(8.8%)	14.0%
Amortization and depreciation	(42,453)	(3.0%)	(33,142)	(2.5%)	28.1%
Write-downs of tangible/intangible assets	(110)	0.0%	-	-	na
Total	**(455,452)**	**(31.8%)**	**(388,308)**	**(29.2%)**	**17.3%**

Marketing & communication costs

(In thousands of Euro)	2015	% of revenues	2014	% of revenues	% change
Purchases	(3,301)	(0.2%)	(4,752)	(0.4%)	(30.5%)
Services	(58,869)	(4.1%)	(54,366)	(4.1%)	8.3%
Personnel	(10,183)	(0.7%)	(8,861)	(0.7%)	14.9%
Amortization and depreciation	(118)	(0.0%)	(68)	(0.0%)	73.5%
Total	**(72,471)**	**(5.1%)**	**(68,047)**	**(5.1%)**	**6.5%**

Total marketing & communication costs increased from 68,047 thousand Euro to 72,471 thousand Euro (+6.5%), with the ratio to revenues remaining broadly unchanged at 5.1%. Among the most significant marketing & communication activities of 2015 it is worth mentioning the event held in November in Shanghai to celebrate 20 years of the Ferragamo Group's presence in China that had a strong impact on Asian markets.

General and administrative costs

(In thousands of Euro)	2015	% of revenues	2014	% of revenues	% change
Purchases	(2,634)	(0.2%)	(2,029)	(0.2%)	29.8%
Services	(52,310)	(3.7%)	(47,505)	(3.6%)	10.1%
Personnel	(38,362)	(2.7%)	(34,923)	(2.6%)	9.8%
Amortization and depreciation	(15,853)	(1.1%)	(13,174)	(1.0%)	20.3%
Total	**(109,159)**	**(7.6%)**	**(97,631)**	**(7.3%)**	**11.8%**

General and administrative costs rose by 11.8% or 11,528 thousand Euro compared to 2014 and their ratio to revenues slightly increased from 7.3% in 2014 to 7.6% in 2015. The greater increase in value in absolute terms was primarily attributable to the item costs for services and personnel costs. The increase in amortization and depreciation is a direct consequence of the strong investments in recent years in the opening and refurbishment of stores and in the plan to renovate the facility and offices at Osmannoro-Sesto Fiorentino by the Parent company Salvatore Ferragamo S.p.A..

The item includes fees paid to the Board of Directors and other amounts accrued by the Managing Director and the Chairman.

Other operating costs

(In thousands of Euro)	2015	% of revenues	2014	% of revenues	% change
Losses on disposal of tangible and intangible assets	(1,221)	(0.1%)	(752)	(0.1%)	62.4%
Windfall losses	(775)	(0.1%)	(843)	(0.1%)	(8.1%)
Provisions for risks and charges	(568)	(0.0%)	(1,075)	(0.1%)	(47.2%)
Write-down of current assets	(325)	(0.0%)	(2,401)	(0.2%)	(86.5%)
Other operating costs	(14,612)	(1.0%)	(11,350)	(0.9%)	28.7%
Total	**(17,501)**	**(1.2%)**	**(16,421)**	**(1.2%)**	**6.6%**

Other operating costs increased by 6.6% (1,080 thousand Euro), with the ratio to revenues remaining unchanged compared to the previous year. 2014 was adversely affected by higher write-downs of current assets (provisions for trade receivables) with particular reference to the Russian, Ukrainian and Greek markets due to the well-known geopolitical tensions. Other operating costs increased by 3,262 thousand Euro (28.7%), also due to the increase in real estate taxes relating to American properties.

Other income and revenues

(In thousands of Euro)	2015	% of revenues	2014	% of revenues	% change
Other income and revenues	13,418	0.9%	8,687	0.7%	54.5%
Gains on disposal of tangible/intangible assets	21	0.0%	23	0.0%	(8.7%)
Windfall profit	1,505	0.1%	2,171	0.2%	(30.7%)
Total	**14,944**	**1.0%**	**10,881**	**0.8%**	**37.3%**

Other income and revenues increased by 37.3% (4,063 thousand Euro) compared to 2014, due mainly to higher insurance refunds during the year, including the insurance refund for the damage suffered as a result of the fire occurred during the night between 6 and 7 May 2015 in the H and D terminals of the Leonardo Da Vinci international airport in Rome-Fiumicino where there were two directly operated stores (DOS) of the Italian retail chain. The increase of the item as a percentage of total revenues increased from 0.8% to 1.0%.

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)	2015	2014	% change
Net interest	(5,014)	(4,213)	19.0%
Other net income/(charges)	(2,189)	(2,134)	2.6%
Net gains/(losses) on exchange rate differences	6,230	7,301	(14.7%)
Net financial income/(charges) for fair value adjustment of derivatives	(12,245)	(8,390)	45.9%
Gains/(losses) on disposal of investments	1	-	na
Total	**(13,217)**	**(7,436)**	**77.7%**

Total net financial income and charges amounted to charges of 13,217 thousand Euro, up by 5,781 thousand Euro compared to 2014, mainly due to higher net financial charges for fair value adjustment of derivatives and higher net interest expense.
Net gains and losses on exchange rate differences mainly reflect the impact of commercial transactions in foreign currency. Net 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.

Income taxes

The change in income taxes was as follows:

(In thousands of Euro)	2015	2014	% change
Profit before taxes	251,383	237,980	5.6%
Income taxes	(76,933)	(74,465)	3.3%
Tax rate	**30.6%**	**31.3%**	

The tax rate for 2015 was 30.6% compared to 31.3% in the prior period. The decrease is partly due to the reduction of the tax rate of the Parent company Salvatore Ferragamo S.p.A. due to the elimination from black-listed countries – for the purposes of taxation in Italy of Controlled Foreign Subsidiaries (CFC) – of Hong Kong, Singapore and Malaysia, leading to the suspension as from 2015 of taxation for fiscal transparency of income in Italy of the Group companies resident in those countries.

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

(In thousands of Euro)	2015	% of revenues	2014	% of revenues	% change
Net profit/(loss) for the period	**174,450**	12.2%	**163,515**	12.3%	6.7%
Net profit/(loss) – Group	172,733	12.1%	156,565	11.8%	10.3%
Net profit/(loss) – minority interests	1,717	0.1%	6,950	0.5%	(75.3%)

Net profit for the period rose by 6.7%, up by 10,935 thousand Euro.

Statement of financial position and Investments

Here below is the statement of financial position as at 31 December 2015 reclassified by sources and uses, compared to the position as at 31 December 2014:

(In thousands of Euro)	31 December 2015	31 December 2014	% change
Property, plant and equipment, investment property, intangible assets with a finite useful life	277,518	248,312	11.8%
Net working capital	316,896	301,895	5.0%
Other non current assets/(liabilities), net	52,885	45,032	17.4%
Other current assets/(liabilities), net	(28,798)	(37,692)	(23.6%)
Net invested capital	**618,501**	**557,547**	**10.9%**
Group shareholders' equity	563,926	466,190	21.0%
Minority interests	44,815	42,004	6.7%
Shareholders' equity (A)	**608,741**	**508,194**	**19.8%**
Net financial debt (B)	**9,760**	**49,353**	**(80.2%)**
Total sources of financing (A+B)	**618,501**	**557,547**	**10.9%**
Net financial debt/shareholders' equity	1.6%	9.7%	

Property, plant and equipment, investment property and intangible assets with a finite useful life

(In thousands of Euro)	31 December 2015	31 December 2014	% change
Property, plant and equipment	236,452	212,077	11.5%
Investment property	7,470	7,015	6.5%
Intangible assets with a finite useful life	33,596	29,220	15.0%
Total	**277,518**	**248,312**	**11.8%**

The item "Property, plant and equipment" as at 31 December 2015 consists of:

- the Sesto Fiorentino industrial complex, as well as adjacent plots of land and building rights acquired during 2015 for the construction of the new logistics center, the portions of the American properties used in operating activities and the property owned in Seoul for a total net value of 67,295 thousand Euro;
- furnishings and renovation work for the chain of directly operated stores as well as the moulds for the fragrances product category, for 136,062 thousand Euro;

- other assets, mainly for IT equipment, plant and equipment and tangible assets in progress for 33,095 thousand Euro.

Investment property represents the part of the American properties which is not used for operations and producing income through rental.

Intangible assets with a finite useful life mainly consist of capitalized costs for software development relating to business applications (SAP, ERP, reporting systems, e-commerce platform) and costs incurred to acquire the right to enter into shop rental contracts (the so-called key money for a net value of 7,617 thousand Euro as at 31 December 2015). The remainder refers to registration expenses for trademarks and industrial patents and intellectual property rights (software licenses).

Investments in fixed assets

During 2015, the Group made investments in tangible and intangible assets for a total amount of 79,955 thousand Euro, of which 67,095 thousand Euro in tangible assets and 12,860 thousand Euro in intangible assets, compared to a total of 82,871 thousand Euro in the previous year.
During the year, the most significant investments in tangible assets were made in the opening and renovation of stores (59% of total investments in tangible assets amounting to approximately 39.6 million Euro), the completion of a new building inside the Osmannoro-Sesto Fiorentino facility to be used for office purposes (the building is part of the broader project to expand and renovate the whole industrial complex) and in the purchase by the Parent company Salvatore Ferragamo S.p.A. from Ferragamo Finanziaria S.p.A. (related party) in July 2015 of some plots of land and building rights near the facility at Osmannoro-Sesto Fiorentino, which are necessary for the construction of the new logistics center. At the same time Salvatore Ferragamo S.p.A. purchased 100% of the stakes in the company Ma.Ga Immobiliare S.r.l. for the sole purpose of acquiring a further parcel of land near the facility in Osmannoro-Sesto Fiorentino owned by the latter and deemed necessary for the construction of the new logistics center; therefore, the price paid for this acquisition has been allocated to the item “Land” in the consolidated financial statements.
Investments in intangible assets mainly refer to the so-called "Marlin Project", aimed at standardizing the Group's retail information systems and to the development of the e-commerce platform (for a total amount of 6.1 million Euro), in addition to the key money paid during 2015 for the opening of new stores in Europe (2.5 million Euro).

During 2015, the Group did not make any investments in financial assets.

Amortization and depreciation amounted to 59,630 thousand Euro as at 31 December 2015 compared to 47,518 thousand Euro as at 31 December 2014, up by 25.5% thanks to the significant investments made in recent years.

Investments in tangible assets under construction mainly concerned the refurbishment and opening of new stores which were not yet operational at the end of the reporting period and the investments made in the Osmannoro-Sesto Fiorentino facility aimed at the construction of the new logistics center by the Parent company Salvatore Ferragamo S.p.A.. The main investment in intangible assets under construction by the Group is represented by the so-called “Marlin Project”, aimed at standardizing the Group's retail information systems.

Net working capital

Here below is the breakdown and change in net working capital as at 31 December 2015 compared with the figure as at 31 December 2014.

(In thousands of Euro)	31 December 2015	31 December 2014	% change
Inventories	351,132	338,555	3.7%
Trade receivables	167,912	150,895	11.3%
Trade payables	(202,148)	(187,555)	7.8%
Total	**316,896**	**301,895**	**5.0%**

The increase in net working capital (+5.0%) is mainly due to the increase in trade receivables (+11.3%) mainly relating to wholesale sales. Inventories increased by 3.7%.
"Trade payables" mainly refer to purchases of production materials (raw materials and accessories), finished products and costs relating to manufacturing in outsourcing.

Other non current assets/(liabilities), net

(In thousands of Euro)	31 December 2015	31 December 2014	% change
Available-for-sale financial assets	20	25	(20.0%)
Other non current assets	7,453	6,683	11.5%
Other non current financial assets	16,874	14,668	15.0%
Deferred tax assets	107,538	95,274	12.9%
Total other non current assets	**131,885**	**116,650**	**13.1%**
Provisions for risks and charges	(8,025)	(7,106)	12.9%
Employee benefit liabilities	(11,664)	(11,583)	0.7%
Other non current liabilities	(55,387)	(48,758)	13.6%
Deferred tax liabilities	(3,924)	(4,171)	(5.9%)
Total other non current liabilities	**(79,000)**	**(71,618)**	**10.3%**
Other non current assets/(liabilities), net	**52,885**	**45,032**	**17.4%**

"Other non current assets" mainly consist of:

- the straight lining of rental income from the American real estate business for 5,755 thousand Euro (5,945 thousand Euro in 2014);
- the portion of receivables due after more than 12 months relating to the advance on fees for Ungaro fragrances amounting to 1,397 thousand Euro paid at the time of the sale of the Ungaro brand and the renewal of the license contract in 2014.

"Other non current financial assets" mainly consist of guarantee deposits relating to existing lease contracts and the fair value measurement of the non-current portion of derivatives for the non-hedge component.

"Deferred tax assets" mainly consist of taxes calculated on the reversal of the profit unrealized in inventories and those on temporary differences between the profit/(loss) pertaining to the period and the taxable income of the Group companies.

"Other non current liabilities" mainly refer to the straight lining of rental expense amounting to 55,091 thousand Euro (48,455 thousand Euro in 2014).

Other current assets/(liabilities), net

(In thousands of Euro)	31 December 2015	31 December 2014	% change
Tax receivables	19,123	13,488	41.8%
Other current assets	33,839	34,058	(0.6%)
Total other current assets	**52,962**	**47,546**	**11.4%**
Tax payables	(22,648)	(21,528)	5.2%
Other current liabilities	(59,112)	(63,710)	(7.2%)
Total other current liabilities	**(81,760)**	**(85,238)**	**(4.1%)**
Other current assets/(liabilities), net	**(28,798)**	**(37,692)**	**(23.6%)**

"Other current assets" mainly consist of:

- receivables due from credit card management companies for retail sales (9,020 thousand Euro), accrued income and prepaid expenses (14,462 thousand Euro) and advances to suppliers (2,477 thousand Euro).
- receivables due from the Holding company Ferragamo Finanziaria S.p.A. (2,420 thousand Euro) of which 2,025 thousand Euro concerning the income tax (IRES) refund claim by Italian companies included in the domestic fiscal unity regarding the deduction of the regional manufacturing tax (IRAP) in relation to personnel costs from 2007 to 2011, as set out in Law Decree no. 201 of 6 December 2011.
- the fair value assessment of hedge derivative contracts for 3,418 thousand Euro (1,878 thousand Euro in 2014) 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 assessment of hedge derivative contracts for 7,613 thousand Euro (23,120 thousand Euro in 2014) 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 immediately after the reporting date, provisions at the end of the reporting period for other payables to suppliers, accrued expenses and deferred income;

- payables to the Holding company Ferragamo Finanziaria S.p.A. amounting to 16,772 thousand Euro as at 31 December 2015 (6,275 thousand Euro in 2014) as part of the domestic fiscal unity relating to the current period.

Shareholders' equity

(In thousands of Euro)	31 December 2015	31 December 2014	% change
Group shareholders' equity	563,926	466,190	21.0%
Minority interests	44,815	42,004	6.7%
Total	**608,741**	**508,194**	**19.8%**

The changes in the Group's share of shareholders' equity were due to: the increase of 172,733 thousand Euro relating to net profit for the period; the decrease of 15,997 thousand Euro attributable to the translation into Euro of the subsidiaries' financial statements denominated in other currencies; the decrease of 70,732 thousand Euro for dividends approved by the Parent company; the decrease of 222 thousand Euro arising from changes in the fair value of the put options assigned to pre-existing minority shareholders; the increase of 11,212 thousand Euro owing to the valuation of hedge derivatives, net of the related tax effect and the increase of 786 thousand Euro relating to the Stock Grant Reserve in addition to other minor effects accounting for 44 thousand Euro.

Net financial debt

Net financial debt as at 31 December 2015 and 31 December 2014 was as follows:

(In thousands of Euro)	31 December 2015	31 December 2014	% change
Cash and cash equivalents (A)	142,121	96,463	47.3%
Other current financial assets (B)	291	976	(70.2%)
Interest-bearing loans and borrowings (C)	146,953	142,414	3.2%
Other current financial liabilities (D)	5,219	4,378	19.2%
Net financial debt (C + D – A – B)	**9,760**	**49,353**	**(80.2%)**

Net financial debt for 2015 amounted to 9,760 thousand Euro (1.6% of consolidated shareholders' equity), down by 39,593 thousand Euro compared to the previous year, mainly due to significant cash flows from operating activities (197,459 thousand Euro) net of total dividends paid in 2015 (71,399 thousand Euro) and investments made in tangible/intangible assets in 2015 (79,955 thousand Euro).

Income and financial indicators

The tables below set out the trend in the main income and financial indicators for the years ended 31 December 2015 and 2014.

Profitability ratios	2015	2014
ROE (Group net profit for the period / average Group shareholders' equity)	33.5%	37.7%
ROI (Operating profit / Net average invested capital)	45.0%	49.6%
ROS (Operating profit / revenues)	18.5%	18.4%

Financial ratios	2015	2014
Coverage of shareholders' equity ratio (Shareholders' equity / non current assets)	148.7%	139.2%
Liquidity ratio (Current assets excluding inventories / current liabilities)	88.0%	74.3%

Turnover ratios expressed in days	2015	2014
Turnover of trade receivables (Average value of Trade receivables in the period / Revenues x days)	41	37
Turnover of Trade payables (Average value of Trade payables in the period / Purchases of goods and services x days)	80	84
Inventory turnover (Average value of Inventories in the period / Cost of goods sold x days)	261	238
Turnover of Average invested capital (Average value of Net invested capital / Revenues x days)	150	136

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 2015 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 Leg. Decree no. 38/2005.

The following table shows the main income statement indicators.

(In thousands of Euro)	2015	% of revenues	2014	% of revenues	% change
Revenues from sales (wholesale, retail, e-commerce)	801,726	97.2%	736,115	97.5%	8.9%
Revenues from royalties	8,969	1.1%	7,387	1.0%	21.4%
Other income and services	14,101	1.7%	11,699	1.5%	20.5%
Revenues from sales and services	**824,796**	**100.0%**	**755,201**	**100.0%**	**9.2%**
Change in inventories of finished products	(2,839)	(0.3%)	2,300	0.3%	(223.4%)
Costs for raw materials, goods and consumables	(229,492)	(27.8%)	(226,494)	(30.0%)	1.3%
Costs for services	(303,275)	(36.8%)	(302,581)	(40.1%)	0.2%
Personnel costs	(62,258)	(7.5%)	(59,604)	(7.9%)	4.5%
Amortization, depreciation and write-downs	(15,140)	(1.8%)	(13,053)	(1.7%)	16.0%
Other operating costs	(3,538)	(0.4%)	(6,476)	(0.9%)	(45.4%)
Other income and revenues	9,214	1.1%	6,091	0.8%	51.3%
Total operating costs (net of other income)	**(607,328)**	**(73.6%)**	**(599,817)**	**(79.4%)**	**1.3%**
Operating profit	**217,468**	**26.4%**	**155,384**	**20.6%**	**40.0%**
Financial income (charges)	50,333	6.1%	9,398	1.2%	435.6%
Profit before taxes	**267,801**	**32.5%**	**164,782**	**21.8%**	**62.5%**
Income taxes	(65,692)	(8.0%)	(57,607)	(7.6%)	14.0%
Tax rate	*24.5%*		*35.0%*		(29.8%)
Net profit/(loss) for the period	**202,109**	**24.5%**	**107,176**	**14.2%**	**88.6%**
EBITDA	**232,608**	**28.2%**	**168,437**	**22.3%**	**38.1%**

In 2015 there were significant increases in both sales volumes and results compared to 2014, confirming the positive trend which the Company has been reporting for years now. These results, although affected by the positive trend in exchange rates that benefited operators whose products are priced in Euro, are even more remarkable since they were achieved despite long-standing market instability and significant geopolitical tensions in the Middle East, tensions in Europe (the conflict in Ukraine, the embargo on Russia, Greek debt and international terrorism), weakness of emerging countries' economies, particularly Brazil, major difficulties in Hong Kong markets and, lastly, the slowdown in Chinese growth which certainly had a negative impact on business performance.

Revenues from sales and services amounted to 824,796 thousand Euro, up by 9.2% in 2015 compared to the previous year: they were positively affected by exchange rate trends and increased contribution margin, while they were negatively affected by the hedging impact. As a matter of fact, the three main currencies other than the Euro in which most Company revenues are generated, i.e. the US dollar, the Chinese renminbi and the Japanese yen, performed as follows in 2015 compared to last year: the US dollar appreciated by 16.5% ([6]), the Chinese renminbi by 14.8% ([7]) and the Japanese yen by 4.3% ([8]) against the Euro, the currency in which the figures in the separate financial statements are expressed.

Operating profit increased from 155,384 thousand Euro to 217,468 thousand Euro (+40.0%), thanks to the increase in revenues (+9.2%), in the contribution margin percentage and the limited increase (+1.3%) in operating costs (net of other income), with the ratio to revenues decreasing from 79.4% al 73.6%. EBITDA as a percentage of revenues rose from 22.3% in 2014 to 28.2% in 2015 (+38.1%). These results are even more outstanding if we recall that in 2014 they were already strongly up on the previous year (net revenues +4.7%, operating profit +9.4%).

Net **financial income/(charges)** increased from 9,398 thousand Euro to 50,333 thousand Euro.

[6] With reference to the average Euro/US$ exchange rate in 2015: 1.110; 2014: 1.329
[7] With reference to the average Euro/Cny exchange rate in 2015: 6.973; 2014: 8.186
[8] With reference to the average Euro/Yen exchange rate in 2015: 134.31; 2014: 140.31

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)	2015	2014	% change
Dividends from investments	59,099	7,648	672.7%
Net financial income/(charges) for fair value adjustment of derivatives	(11,345)	(7,966)	42.4%
Restatement value/(write-downs) of investments	(4,380)	1,828	(339.6%)
Net gains/(losses) on exchange rate differences	7,864	9,720	(19.1%)
Other net income/(charges)	(1,019)	(1,288)	(20.9%)
Net interest	114	(544)	(121.0%)
Total	**50,333**	**9,398**	**435.6%**

Net profit for the period totaled 202,109 thousand Euro compared to 107,176 thousand Euro in 2014, also due to the positive impact of dividends from investments, which rose from 7,648 thousand Euro in 2014 to 59,099 thousand Euro in 2015.

The tax rate for 2015 was 24.5% compared to 35.0% in the prior period. The decrease in the tax rate is due in large part to the elimination from black-listed countries – for the purposes of taxation in Italy of Controlled Foreign Subsidiaries (CFC) – of Hong Kong, Singapore and Malaysia leading to the suspension, as from 2015, of taxation for fiscal transparency of income in Italy to which Salvatore Ferragamo S.p.A. was subject in relation to the companies which it controls directly and/or indirectly and residing in those areas/countries.

Revenues

The following table shows revenues from sales and services by **distribution channel** and the change on the previous year:

(In thousands of Euro)	2015	% of revenues	2014	% of revenues	% change
Wholesale	723,530	87.7%	667,399	88.4%	8.4%
Retail+E-commerce	78,196	9.5%	68,716	9.1%	13.8%
Revenues from sales	**801,726**	97.2%	**736,115**	97.5%	**8.9%**
Revenues from royalties	8,969	1.1%	7,387	1.0%	21.4%
Other income and services	14,101	1.7%	11,699	1.5%	20.5%
Revenues from sales and services	**824,796**	**100.0%**	**755,201**	**100.0%**	**9.2%**

Wholesale revenues refer mainly to sales to Group companies and, to a lesser extent, to sales to retailers.

Retail + E-commerce sales refer to the revenues generated from directly operated stores (DOS) in Italy (sharply increasing thanks to the positive trend in sales to tourists) and sales generated by e-commerce on the European market.
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 on the previous year.

(In thousands of Euro)	2015	% of revenues from sales	2014	% of revenues from sales	% change
Italy	151,891	18.9%	137,973	18.7%	10.1%
Europe (excluding Italy)	136,909	17.1%	129,511	17.6%	5.7%
North America	172,554	21.5%	164,552	22.4%	4.9%
Asia Pacific	245,534	30.6%	224,503	30.5%	9.4%
Japan	56,807	7.1%	45,349	6.2%	25.3%
Central and South America	38,031	4.7%	34,227	4.6%	11.1%
Revenues from sales	**801,726**	**100.0%**	**736,115**	**100.0%**	**8.9%**

The breakdown of revenues by geographic area shows that in all markets there was a significant rise in turnover.

In 2015 revenues in Italy and Europe increased by 10.1% and 5.7% respectively despite the negative impact of the previously mentioned negative events.

North America recorded an increase of 4.9% compared to 2014, after the significant increase already recorded in 2014 (+7.3% compared to 2013).

Asia Pacific confirmed its position as the leading market in terms of revenues for the Company, with turnover accounting for 30.6% of total turnover, up by 9.4%, although it has been negatively affected by the drop in sales on the Hong Kong market and the slowdown in Chinese growth.

The Japanese market showed an acceleration in activity in 2015 as a whole, recording an increase of 25.3% compared to the previous year also thanks to the large influx of Chinese travelers into the area.

Central and South America saw, over the twelve months of 2015, solid growth of 11.1%, thanks mainly to the strong performance of the Mexican market.

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

(In thousands of Euro)	**2015**	**% of revenues from sales**	**2014**	**% of revenues from sales**	**% change**
Footwear	354,095	44.2%	331,241	45.0%	6.9%
Leather goods	327,475	40.8%	288,942	39.3%	13.3%
Apparel	65,592	8.2%	65,787	8.9%	(0.3%)
Accessories and other products	54,564	6.8%	50,145	6.8%	8.8%
Revenues from sales	**801,726**	**100.0%**	**736,115**	**100.0%**	**8.9%**

All the product categories, with the sole exception of apparel, saw a percentage growth in revenues compared to the previous year period. In particular, note should be taken of the positive trend in leather goods which rose by 13.3%, recording the highest growth in absolute terms (38,533 thousand Euro). Significant increases were also recorded by revenues from footwear (+6.9%) and accessories (+8.8%).

Statement of financial position and Investments

Here below is the statement of financial position as at 31 December 2015 reclassified by sources and uses, compared to the position as at 31 December 2014.

(In thousands of Euro)	**31 December 2015**	**31 December 2014**	**% change**
Property, plant and equipment and intangible assets with a finite useful life	85,851	75,965	13.0%
Net working capital	142,460	124,567	14.4%
Other non current assets/(liabilities), net	169,240	172,015	(1.6%)
Other current assets/(liabilities), net	(18,843)	(39,570)	(52.4%)
Net invested capital	**378,708**	**332,977**	**13.7%**
Shareholders' equity (A)	**451,866**	**310,921**	**45.3%**
Net financial debt (B)	**(73,158)**	**22,056**	**(431.7%)**
Total sources of financing (A+B)	**378,708**	**332,977**	**13.7%**

Investments in fixed assets

During 2015, the Company made investments in tangible and intangible assets for a total amount of 25,161 thousand Euro, of which 17,122 thousand Euro in tangible assets and 8,039 thousand Euro in intangible assets.
The most important investments in tangible assets refer to the completion of the new office building at the Osmannoro-Sesto Fiorentino facility (as part of the broader project to expand and renovate the whole industrial complex) and to the purchase from the Holding company Ferragamo Finanziaria S.p.A., in July 2015, of plots of land and building rights relating to areas near the current Osmannoro-Sesto Fiorentino facility for a total amount of 7,100 thousand Euro in order to implement the logistics center project.
Investments in intangible assets mainly concerned the so-called "Marlin Project", aimed at standardizing the Group's retail information systems.

During 2015, the Company did not make any investments in financial assets.

Amortization and depreciation totaled 15,140 thousand Euro as at 31 December 2015 and 13,053 thousand Euro at 31 December 2014.

Investments in tangible assets under construction mainly concerned investments relating to the renovation of the buildings at the Osmannoro-Sesto Fiorentino facility (530 thousand Euro) and the investments aimed at the construction of the new logistics center (2,286 thousand Euro).

The main investment in intangible assets under construction by the Group is represented by the so-called "Marlin Project", aimed at standardizing the Group's retail information systems.

Net working capital

Here below is the breakdown and change in **net working capital** as at 31 December 2015 compared with the figure as at 31 December 2014.

(In thousands of Euro)	31 December 2015	31 December 2014	% change
Inventories	95,404	96,588	(1.2%)
Trade receivables	178,603	154,727	15.4%
Trade payables	(131,547)	(126,748)	3.8%
Total	**142,460**	**124,567**	**14.4%**

The increase in net working capital was 14.4% given an increase in revenues from sales of 8.9% and is mainly attributable to the increase in trade receivables (+15.4%).

Inventories decreased overall by 1,184 thousand Euro (1.2%) and concerned the stocks of raw materials used for production which increased by 1,655 thousand Euro and the stocks of finished products which decreased by 2,839 thousand Euro.

In 2015 trade receivables totaled 178,603 thousand Euro (up by 15.4%) and concerned receivables from subsidiaries (128,908 thousand Euro, +13.3% compared to 2014) and receivables from third parties (49,695 thousand Euro, +21.2% compared to 2014).

Trade payables mainly refer to the purchase of finished products, manufacturing in outsourcing and the purchase of production materials and their increase is connected to the rise in production.

Net financial debt

Net financial debt as at 31 December 2015 and 31 December 2014 was as follows:

(In thousands of Euro)	31 December 2015	31 December 2014	% change
Cash and cash equivalents (A)	61,532	8,115	658.3%
Other current financial assets (B)	12,678	11	-
Interest-bearing loans and borrowings (C)	-	29,200	(100.0%)
Other current financial liabilities (D)	1,052	982	7.1%
Net financial debt (C + D – A – B)	**(73,158)**	**22,056**	**(431.7%)**

Net financial debt for 2015 amounted to a positive value of 73,158 thousand Euro sharply improving (95,214 thousand Euro) compared to the previous year, net of the distribution of dividends (70,732 thousand Euro), the increase in net working capital (17,893 thousand Euro), in investments in tangible/intangible assets in 2015 (25,161 thousand Euro).

The significant improvement in the net financial position was mainly due to the significant cash flow generated from operating activities amounting to 194,764 thousand Euro and dividends from investments amounting to 59,099 thousand Euro.

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 2015 and 2014.

Profitability ratios	**2015**	**2014**
ROE (Net profit for the period / Average shareholders' equity)	53.0%	35.7%
ROI (Operating profit / Net average invested capital)	61.1%	48.0%
ROS (Operating profit / Revenues from sales and services)	26.4%	20.6%

Financial ratios	**2015**	**2014**
Coverage of shareholders' equity ratio (Shareholders' equity / Non current assets)	160.9%	115.7%
Liquidity ratio (Current assets excluding Inventories / Current liabilities)	158.3%	83.8%

Turnover ratios expressed in days	**2015**	**2014**
Turnover of trade receivables (Average value of Trade receivables in the period / Revenues from sales and services x days)	74	71
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)	88	90
Inventory turnover (Average value of Inventories in the period / cost of goods sold x days)	81	84
Turnover of Average invested capital (Average value of Net invested capital / Revenues from sales and services x days)	157	157

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 values is provided below:

(In thousands of Euro)	**31 December 2015**	
	Shareholders' equity	**Net profit/(loss) for the period**
Parent company – shareholders' equity and net profit/(loss)	**451,866**	**202,109**
Elimination of consolidated investments	329,471	51,143
Dividends distributed among Group companies	-	(59,099)
Elimination of write-downs / (restatement value) on consolidated investments	-	4,380
Elimination of unrealized profits, deriving from transactions between Group companies, relating to inventories, net of the deferred tax effect	(178,038)	(22,573)
Effect of IAS 39 – cash flow hedge reserve, net of the deferred tax effect	-	(2,619)
Other consolidation adjustments	5,442	1,109
Total shareholders' equity and net profit/(loss)	**608,741**	**174,450**
Minority interests – shareholders' equity and net profit/(loss)	44,815	1,717
Group – shareholders' equity and net profit/(loss)	**563,926**	**172,733**

7. Results of Group companies

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

(In thousands)		2015			2014		
Company	**Currency**	**Revenues**	**Net profit/ (loss)**	**Shareholders' equity**	**Revenues**	**Net profit/ (loss)**	**Shareholders' equity**
Ferragamo Australia Pty Ltd.	AUD	33,674	3,995	16,792	26,797	3,577	12,798
Ferragamo Japan K.K.	JPY	14,889,316	325,821	3,132,082	13,172,407	186,339	2,803,750
Ferragamo Korea Ltd.	KRW	145,088,627	5,522,273	74,406,770	139,233,036	6,498,009	68,884,497
Ferragamo Espana S.L.	EURO	11,531	505	3,279	10,128	(472)	1,773
Ferragamo Latin America Inc.*	USD	-	(30)	56	949	362	86
Ferragamo St. Thomas Inc.*	USD	-	-	-	130	385	-
Ferrimag Limited	HKD	-	(86)	123,842	-	36,175	123,928
Ferragamo Retail HK Limited	HKD	598,155	17,397	277,143	727,200	85,314	259,746
Ferragamo Retail Taiwan Limited	TWD	813,178	4,533	322,691	884,423	34,996	318,848
Ferragamo Mexico S. de R.L. de C.V.	MXN	823,642	57,689	282,523	712,951	36,216	224,723
Ferragamo Retail Nederland B.V.	EURO	6,298	626	2,328	5,086	940	1,703
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	CNY	966,839	29,037	358,124	1,034,573	91,931	329,087
Ferragamo (Singapore) Pte. Ltd.	SGD	45,830	(2,632)	7,648	43,306	(1,117)	10,280
Ferragamo (Thailand) Limited	THB	189,545	(15,670)	80,930	150,382	(13,865)	96,125
Ferragamo (Malaysia) Sdn Bhd	MYR	42,573	754	24,184	34,866	422	23,430
Ferragamo Hong Kong Ltd.	USD	312,930	32,546	190,063	319,192	40,556	220,482
Ferragamo USA Group	USD	372,789	9,826	101,654	382,015	12,410	91,751
Ferragamo Deutschland GmbH	EURO	13,360	988	11,955	12,207	1,218	10,968
Ferragamo Belgique SA	EURO	2,315	133	1,323	2,230	34	1,188
Ferragamo Monte-Carlo S.A.M.	EURO	1,103	(80)	1,114	1,433	76	1,199
Ferragamo (Suisse) SA	CHF	10,353	739	5,066	11,946	1,651	5,926
Ferragamo U.K. Limited	GBP	14,936	(304)	7,040	15,831	83	7,343
Ferragamo France S.A.S.	EURO	28,934	(308)	10,335	27,133	689	10,633
Ferragamo Parfums S.p.A.	EURO	85,931	2,136	16,587	82,552	2,162	14,381
Ferragamo Chile S.A.	CLP	1,100,266	(109,015)	90,620	1,120,252	(258,006)	199,635
Ferragamo Austria GmbH	EURO	4,382	404	3,600	3,873	64	3,196
Ferragamo Retail India Private Limited	INR	443,016	(89,479)	(422,400)	473,189	(21,782)	(333,339)
Ferragamo Retail Macau Limited	MOP	147,587	20,127	92,463	157,187	48,428	96,161
Ferragamo Moda (Shanghai) Co. Ltd.	CNY	241,666	(44,978)	(33,355)	242,192	(13,438)	11,623
Ferragamo Brasil Roupas e Acessorios Ltda.	BRL	19,097	(9,489)	20,766	15,334	(11,010)	20,949
Ferragamo Argentina S.A.	ARS	14,527	(4,815)	(5,157)	12,068	(383)	(342)
Ferragamo Denmark ApS	DKK	4,766	(1,985)	4,015	-	-	-
Ma.Ga. Immobiliare S.r.l.	EURO	-	(12)	766	-	-	-

*Non-operating company in liquidation

8. Significant events occurred during the year

Investments

On 5 January 2015, the Danish company Ferragamo Denmark ApS was set up with share capital of 500,000 Danish Krone and a share premium of 5,500,000 Danish Krone, divided into 500,000 shares, with a par value of 1.00 Danish Krone each, wholly subscribed by Salvatore Ferragamo S.p.A. for a total amount of 6 million Danish Krone (equal to 807 thousand Euro). The company was established in order to open a directly operated store (DOS) in Copenhagen in March.

On 27 July 2015 the Parent company Salvatore Ferragamo S.p.A. acquired 100% of the stakes in the company Ma.Ga. Immobiliare S.r.l. for 2,064 thousand Euro (including ancillary charges) in order to acquire its plots of land, which are deemed necessary for the construction of the new logistics center.

It should be noted that the acquisition of Ma.Ga Immobiliare S.r.l. does not qualify as a business combination, as it does not meet the definition of business provided for by IFRS 3 as an integrated set of activities and assets which can be used to create outputs. As explained above, the acquisition took place for the exclusive purpose of acquiring the plots of land owned by said company. Therefore, the purchase qualifies as an acquisition of assets and results, at the consolidated level, in the allocation to the Group of the price paid for assets and liabilities acquired without giving rise to goodwill. For further information, reference should be made to note 5 of the consolidated financial statements, "Property, plant and equipment".

Shareholders' Meeting

On 24 April 2015 the shareholders' meeting of the Parent company Salvatore Ferragamo S.p.A. approved the financial statements for the year ended 31 December 2014 and approved the distribution of a dividend of 0.42 Euro per share as indicated in detail in the specific section "Dividends" in the Explanatory notes.

On the same date the Shareholder's Meeting resolved that the members of the Board of Directors be thirteen and it appointed the Board of Directors which shall be in office for the 2015-2017 three-year period until the Shareholders' Meeting approving the financial statements for the year ending 31 December 2017. In addition, it confirmed Wanda Miletti Ferragamo as the Company's Honorary Chairman for the same period.

Board of Directors

On the same date, 24 April 2015, the Board of Directors confirmed the appointment of Ferruccio Ferragamo as Chairman, Giovanna Ferragamo as Deputy Chairman and Michele Norsa as Managing Director. In addition, it appointed the Control and Risk Committee comprising the independent directors Marzio Saà (Chairman), Umberto Tombari and Chiara Ambrosetti, and confirmed the Nomination and Remuneration Committee comprising the independent directors Umberto Tombari (Chairman), Marzio Saà and Lidia Fiori as well as the Product and Brand Strategy Committee comprising Ferruccio Ferragamo (Chairman), Michele Norsa, Fulvia Ferragamo and Leonardo Ferragamo.

2012 Stock grant plan and change in share capital

On 13 May 2015 the Board of Directors of Salvatore Ferragamo S.p.A. implemented the 2012 Stock Grant Plan approved by the Shareholders' Meeting on 26 April 2012. In particular, the Board of Directors, after having ascertained, upon the request of the Nomination and Remuneration Committee, that all the Company's performance objectives and the other requirements set out in the Plan had been complied with, with the favorable opinion of the Board of Statutory Auditors, approved implementation of the Company's free share capital increase for a total amount of 38,000 Euro, through the issue of 380,000 new ordinary shares with a nominal value of 0.10 Euro each in favor of the 12 beneficiaries of the Plan, by charging to share capital an amount of 38,000 Euro taken from the "Specific reserve for share capital increase to serve the 2012 Stock Grant Plan". The new shares were issued and awarded to rights holders. Therefore, the share capital of Salvatore Ferragamo S.p.A. is 16,879,000 Euro (fully subscribed and paid up), divided into 168,790,000 ordinary shares with a nominal value of 0.10 Euro each. At the same meeting the Parent company's Board of Directors also approved the allocation of the residual amount of 12,000 Euro of the "Specific reserve for share capital increase to serve the 2012 Stock Grant Plan" to the Extraordinary Reserve, with the consequent cancellation of the aforementioned reserve which originally totaled 50,000 Euro.

Project to expand the facility at Osmannoro

In reference to the project of the Parent company Salvatore Ferragamo S.p.A. to expand the facility at Osmannoro building there a logistics center, on 15 July 2015 the Board of Directors approved:

- the purchase from Ferragamo Finanziaria S.p.A. (related party) of building plots and building rights;
- the purchase of all the stakes of Ma.Ga Immobiliare S.r.l., thus ensuring availability of additional building plots owned by the aforementioned company which are near to the Osmannoro facility and are needed to implement the aforementioned project.

The above transactions were registered on 27 July 2015 through deeds of the Notary Mr. F. Steidl for a total amount of 9,127 thousand Euro (plus ancillary charges).
It was also agreed between Ferragamo Finanziaria S.p.A. and Salvatore Ferragamo S.p.A. that, should it prove impossible to obtain building permits for the area, Ferragamo Finanziaria S.p.A. will arrange to buy back the land it sold and the stakes in Ma.Ga Immobiliare S.r.l. at the same price incurred for these purchases.

Tax and customs disputes and audits

Following a documentary inspection started in July 2014, on 1 December 2015 the Regional Unit of the Tuscany Inland Revenue Office issued to Salvatore Ferragamo S.p.A. an assessment notice relating to the fiscal transparency of income in Italy of the subsidiary Ferragamo Hong Kong Ltd., pursuant to Italian rules and regulations on controlled foreign companies (CFC). In the assessment notice the tax base of Ferragamo Hong Kong Ltd. was redetermined and the credit for taxes paid abroad and used for tax return purposes was partly rejected, and more income tax (IRES) was claimed to the tune of around 170 thousand Euro, plus interest and sanctions for approximately 55 thousand Euro. The Company filed a request for assessment with acceptance on 19 January 2016. In the proceedings the Company will reaffirm its position concerning the determination of the tax base of the CFC and also justifiably believes that it has valid reasons to exclude altogether the application of sanctions.

With reference to the tax audit carried out on Ferragamo France S.A.S., relating to the tax years 2008-2010 that was started in 2011, and which was referred to in the Directors' report on operations of the 2013 and 2014 Consolidated Annual Report, it is recalled that the audit ended with the notification of an initial adjustment proposal. This does not include challenges to accounting procedures and ordinary taxation, but it challenges the transfer price policy adopted between the Parent company Salvatore Ferragamo S.p.A. and Ferragamo France S.A.S.. This resulted in the beginning of complex proceedings between the tax authorities and the taxpayer. The first challenge was confirmed by a second adjustment proposal which was notified on 17 September 2012, which, however, was more favorable to the taxpayer. On 11 April 2014 the Board of Directors of Ferragamo France S.A.S. resolved to reach a settlement with French tax authorities, but on 12 December 2014 the French authorities informed Ferragamo France S.A.S. that they did not intend to revise their position and so issued to Ferragamo France S.A.S. two assessment notices to end the administrative proceedings, the first on 25 February 2015 and the second on 3 March 2015, confirming their claims as redetermined during the procedure. For Ferragamo France S.A.S. these claims would entail the payment of around 900 thousand Euro due to higher taxes on the company, 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. Ferragamo France S.A.S. opposed the notice through an administrative appeal which was submitted on 11 March 2015 and it obtained suspension concerning the payment of disputed amounts following the submission of an appropriate guarantee. Having received a further rejection, Ferragamo France S.A.S. appealed to the administrative tax court, filing in October 2015 a "Requête Sommaire", i.e. a preliminary deed for the judicial appeal which must be filed by the fixed deadline of 31 March 2016. Nonetheless, the company firmly believes it is in the right and it still has the possibility of trying to reach a settlement with the French tax authorities at any stage of the proceedings. Therefore, it is not possible to make estimates regarding any tax liabilities arising from the procedure.
On 31 July 2015 Ferragamo France S.A.S. received notice of the opening of another general tax inspection relating to the years 2012 to 2014, which ended on 8 February 2016. Also in this case, the French tax authorities did not issue challenges to accounting procedures and ordinary taxation; in addition, they did not challenge the transfer price policy adopted between the Parent company Salvatore Ferragamo S.p.A. and Ferragamo France S.A.S.. The examiners simply rejected the use of past losses in the years 2013 and 2014 (as being subject to dispute following the previous tax audit concerning the years 2008-2010, referred to above), claiming higher taxes amounting to around 865 thousand Euro without sanctions. As a matter of fact, the outcome depends entirely on the outcome of the ongoing dispute concerning the 2008-2010 period. However, it should be noted that the position of Ferragamo France S.A.S. has been strengthened by this latest audit, in which the French tax authorities have in no way challenged the transfer pricing policy, which has remained unchanged over the years.

The dispute with the Korean tax authorities concerning the assessment notice relating to the "Securities transaction tax", which was discussed in the Directors' report on operations of the 2014 Consolidated Annual Report, ended unfavorably for Salvatore Ferragamo S.p.A.: the trial judges issued a ruling in line with one which was released by the Korean Supreme Court when the proceedings were underway and was in contrast with local case law. According to applicable laws, the amounts due had been paid on the day before filing the appeal on 30 September 2013. As a result, the payment of higher taxes and sanctions, amounting to approximately 198 thousand Euro (KRW 282,162,280 at the exchange rate on the date of payment) was definitely confirmed.

From 12 to 30 May 2014 the Seoul Customs Office carried out an audit at Ferragamo Korea Ltd. on transfer pricing concerning transfers of goods and the provision of services by Ferragamo Hong Kong Ltd. to the Korean company from 2009 to 2013. The audit ended with a request for further information and documents and further requests followed in this regard. After the long preliminary phase of the audit, there followed a discussion with the customs authorities which issued a "preliminary assessment notice", in which they claimed around 30 thousand Euro by way of import taxes and duties and customs penalties. Ferragamo Korea Ltd. made no opposition to this preliminary assessment notice and is awaiting the issuance of the final notice.

On 19 November 2013 the Chinese subsidiary Ferragamo Fashion Trading (Shanghai) Co. Ltd. received an information request from the Chinese customs offices on transfer pricing concerning transfers of goods and the provision of services by the subsidiary Ferragamo Hong Kong Ltd. to the Chinese company in 2013. In March 2014 customs offices requested further information and documents (extending the scope of the audit to 2011 and 2012), and further requests followed in this regard. The preliminary phase of the audit then concluded to resume subsequently following a change in the personnel of the Customs office responsible for the case. There was then an eleventh filing of documents at the end of October 2015 and discussion with the customs authorities on the results of the tax audit is still underway. At present it is not possible to estimate whether and, if it is the case, to what extent import taxes and duties and/or customs penalties will be challenged.

International standard ruling on transfer pricing

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

Other significant events

On 17 December 2015 the Company Salvatore Ferragamo S.p.A. submitted the electronic form for the optional preferential tax regime for income generated from intangible assets (the so-called Patent Box), as provided for by art. 1, paragraphs 37-45 of Law 23 December 2014 no. 190 (the so-called Stability Law 2015), as subsequently amended. The regime shall apply, for the purposes of both income tax (IRES) and regional manufacturing tax (IRAP), as from the 2015 tax year and concerns: a) income from royalties earned by the Company pursuant to license agreements of its trademarks (the so-called indirect use) and b) income due to the Company arising from the so-called direct use of its trademarks and designs, i.e. from design, production and direct sale of the Ferragamo brand products.

The methods and the criteria for calculation of this second component of the preferential regime must by law be subject to determination under a prior agreement with the Italian Inland Revenue Office – International Ruling Office. The Company filed its request on 28 December 2015 and then submitted additional documentation on 15 February 2016. If the Company and the Italian Inland Revenue Office were to sign the prior agreement by the deadline for submission of the 2015 tax return (for the Company 30 September 2016), the benefit deriving from the preferential regime would be detracted from the 2015 taxable income. Otherwise, the benefit for 2015 would combine with that relating to 2016 in the 2016 tax return. Since the procedure for prior agreement is still pending, the Company is unable to quantify the benefit and tax payments have been made without taking the benefit into account.

On 31 December 2015 the procedure concluded with the signing of the relevant report, for the assessment and payment of direct and indirect damages in favor of the Parent company Salvatore Ferragamo S.p.A. for the fire occurred during the night of 6-7 May 2015 at the Leonardo Da Vinci international airport in Rome-Fiumicino that involved two stores directly operated by the Ferragamo network inside terminals H and D, for a total amount – net of policy deductible – of 2.7 million Euro, the balance of which was paid by the insurance companies in January 2016.

9. Information on corporate governance and ownership structure

Disclosure pursuant to art. 123-bis of the Consolidated Law on Finance no. 58/1998 (TUF)

On 17 March 2016 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. (the 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 Company's Bylaws currently in force were approved by the Board of Directors (special session) on 13 May 2015. The Bylaws establish the essential features of the Company and set the main rules for its management and operation, they provide a description of the membership of corporate bodies, their powers and their relationships. The Bylaws also include the description of shareholders' rights and the related means of exercising them.
The Company complies with the Corporate Governance Code issued by Borsa Italiana S.p.A. and its corporate governance structure complies 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 of the Group. The current Board was elected by the Shareholders' Meeting on 24 April 2015 according to the single list submitted by the majority shareholder Ferragamo Finanziaria S.p.A. and consists of Ferruccio Ferragamo, Michele Norsa, Giovanna Ferragamo, Fulvia Ferragamo, Leonardo Ferragamo, Francesco Caretti, Diego Paternò Castello di San Giuliano, Peter K.C. Woo, Piero Antinori, Chiara Ambrosetti (Independent director), Lidia Fiori (Independent director), Umberto Tombari (Independent director) and Marzio Saà (Independent director).
This Board of Directors will serve until the date of the Shareholders' Meeting called to approve the separate financial statements for the year ended 31 December 2017.

On 24 April 2015 the Shareholders' Meeting also confirmed, pursuant to article 17 of the Bylaws, Wanda Miletti Ferragamo as Honorary Chairman of the Company by way of recognition of her exceptional commitment to the Group over many years. The term of office of the Honorary Chairman is in line with that of the Board of Directors and so ends with the approval of the separate financial statements as at 31 December 2017.

On 24 April 2015 the first meeting of the newly elected Board of Directors was held which confirmed the appointment of Ferruccio Ferragamo as Chairman, Giovanna Ferragamo as Deputy Chairman and Michele Norsa as Managing Director of the Company.

At its first meeting the Board of Directors also approved resolutions on corporate governance and, in particular, it resolved to:

- combine the functions of the Remuneration Committee and the Nomination Committee in a single committee to be called the Nomination and Remuneration Committee, and to appoint as members the Independent directors Umberto Tombari (Chairman), Lidia Fiori and Marzio Saà;
- confirm the appointment of a Risk and Control Committee, which operates also as Committee responsible for transactions with related parties, and to appoint as members the Independent directors Marzio Saà (Chairman), Umberto Tombari and Chiara Ambrosetti;
- confirm the appointment of the director Marzio Saà as Lead Independent Director;
- confirm the establishment of a Product and Brand Strategy Committee which provides advisory services and makes proposals to the Board of Directors and is composed of the directors Ferruccio Ferragamo (Chairman of the Committee), Michele Norsa, Fulvia Ferragamo and Leonardo Ferragamo.

The Board also adjusted the internal control and risk management system to the new provisions of the Corporate Governance Code and, in particular, it:

- confirmed, with the approval of the Control and Risk Committee, the Managing Director Michele Norsa as the director responsible for the internal control and risk management system and adjusted his duties and responsibilities;
- confirmed Filippo Cei, Fulvio Favini and Leonardo Faini as members of the Supervisory Board.

On 13 May 2015 the Board of Directors appointed Veronica Tonini as Risk Manager.

Following the aforementioned resolutions, the Company's corporate governance system is in line with the corporate governance best practices recommended by the Corporate Governance Committee of Borsa Italiana S.p.A. which are included in the Corporate Governance Code for listed companies.

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 the 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.

In this light, a Code of Ethics has also been adopted, including the principles and general rules that characterize the organization and its business and to which the whole Group must conform.

The following must be considered as specific elements and integral parts of the overall internal control system:

- 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 Board of Directors as a whole is responsible for establishing the guidelines for the internal control system and assessing its adequacy and the 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 planning, implementing and managing the internal control system in compliance with the Board of Directors' guidelines, continuously verifying their adequacy and effectiveness and implementing their adjustment 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 planning, 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 is appointed by the Managing Director and it has the task of assisting him in taking the main decisions concerning the design, implementation and management of the ERM Model. Among these, the direct assessment of "strategic" risks, the confirmation of assessments concerning other risks and the approval of high priority measures and action plans.

- *Risk Manager*

He coordinates the risk management process and systematically supports the ERM Guidance Committee and, generally, all the management staff involved. He reports directly to the Managing Director, he 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 subjects that in various ways contribute to the activities of detection, assessment, management and monitoring of risks.

- *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, the occurrence or absence of which may hinder, partially or wholly, the achievement of the goals of trustworthiness, accuracy, reliability and timeliness of financial reporting.

- Supervisory Body pursuant to Legislative Decree 231/01.

It is responsible for checking the effectiveness, adequacy and compliance of the Organization, Management and Control Model pursuant to Leg. Decree 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 www.ferragamo.com, in the section Investor Relations/Governance/ Corporate Governance Reports.

Disclosure pursuant to art. 36 of the Markets Regulation

Salvatore Ferragamo S.p.A. adopted measures to comply with the provisions set out in article 36 of the Markets Regulation (CONSOB resolution no. 16191/2007, as subsequently integrated and amended); 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 2015 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. and Ferragamo Moda (Shanghai) Co. 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 both with 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 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 continuous information exchange between the Group and financial markets. This function ensures continuous information exchange between the Company and financial market.
Financial data, corporate presentations, interim reports, official press releases and updates in real time on the share price are available on the Company's website www.ferragamo.com in the section Investor Relations.

Stakes in Salvatore Ferragamo S.p.A.

As at 31 December 2015, Ferragamo Finanziaria S.p.A. held a majority stake in the share capital of Salvatore Ferragamo S.p.A. with 57.618% as per the communication of Ferragamo Finanziaria S.p.A. pursuant to art. 120 A of the CONSOB Issuers' Regulation.

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-bis of the Italian Civil Code. The Company complies with the requirements as set out in article 37 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 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 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 Remuneration Report, prepared in accordance with CONSOB resolution dated 23 December 2011 and available on the Company's website www.ferragamo.com, in the section Investor Relations/Governance/Corporate Governance Reports.

Treasury shares and shares or stakes in parent companies

It should be noted that the Group does not hold directly or indirectly treasury shares or shares in parent companies and that during the year it did not buy or sell treasury shares or 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.

Requirements provided for by Leg. Decree 196 of 30 June 2003 – Privacy Protection

Although there is no longer an obligation to prepare and update the Security Policy Document, the company Salvatore Ferragamo S.p.A. has arranged to keep it updated on a voluntary basis.

11. Human resources management and development

The Salvatore Ferragamo Group places great importance on its human capital as represented by its employees and pays particular attention to their professional development by offering equal opportunities to everyone and at the same time by supporting and encouraging personal initiative, in order to create the best conditions for managerial and/or technical development. Particular attention continues to be paid to young people and in-house growth because the Salvatore Ferragamo Group believes that it is the best way to share those Ferragamo values which for over eighty years of business have been at the core of its business practices; in particular, honesty, transparency, integrity and respect have always been core values, and are also an integral part of the Code of Ethics, whose adoption and coming into force have already been formalized in 2009 by the Parent company Salvatore Ferragamo S.p.A. and by the subsidiary Ferragamo Parfums S.p.A.. With a view to planning specific initiatives to improve employees' well-being and their working environment, in the last two years, the Parent company Salvatore Ferragamo S.p.A. adopted various corporate welfare initiatives, such as the introduction of a healthcare assistance program available to all employees, new and more competitive conditions with local operators (banks, insurance companies and others) with the aim of helping employees obtain goods and services at more favorable rates. In 2014, Salvatore Ferragamo S.p.A. also introduced a flexible benefit plan aimed at blue- and white-collar staff, excluding retail staff for whom the company reviewed its incentive policy, extending the relevant services in 2015. In addition, it has implemented, for the training of staff, an induction plan for new employees to provide them with an adequate knowledge of the Ferragamo company and its vision. It has also started a talent assessment process to encourage professional development and expanded participation in open days at universities to identify young talent.

Corporate Social Responsibility initiatives share the same objectives, with the direct involvement of employees in charity initiatives which represent the values of solidarity in which the Salvatore Ferragamo Group strongly believes. In 2015 volunteering days were undertaken organized by Salvatore Ferragamo S.p.A. with the involvement of employees who voluntarily joined this initiative.

Safety at the workplace is considered of utmost importance and the Group has therefore taken all the necessary measures to ensure it. The number of initiatives has been increased to inform and train employees, involving both technical and blue-collar staff and the relevant managers, and particular attention has been paid also to the problems connected with contractors, both in terms of safety in contracted works and interference in operations as works progress. Assessments have been made of all the risks, including work-related stress and specific task-related risks. The Group has also sponsored and promoted the implementation of a Health and Safety Management System, in accordance with the OHSAS 18001 standard. The Management System currently in force was first overhauled by a third party certifying body, as the beginning of a journey towards OHSAS 18001 certification.

The safety team is involved in all the processes aimed at developing new spaces and renovating existing ones, for the purposes of ensuring a progressive improvement in the quality and safety at the workplace, by going beyond the minimum requirements of the laws in force. As for remuneration policies, the Salvatore Ferragamo Group has been implementing for many years now a system (distinguishing different corporate categories/positions) which includes, besides remuneration, also incentive systems connected to both individual and Group objectives, thus encouraging team spirit and a sense of belonging.

Staff

Here below is the Group's staff divided by category as at 31 December 2015 and 31 December 2014.

Staff	31 December 2015	31 December 2014
Top managers, middle managers and store managers	719	668
White collars	3,052	2,987
Blue collars	262	245
Total	**4,033**	**3,900**

The Parent company's staff as at 31 December 2015 totaled 896 staff members, up by 16 compared to 31 December 2014.

12. Environmental protection

The Group's business gives rise to limited environmental issues, but it has nonetheless always put environmental eco-sustainability at the heart of its development policies by promoting awareness-raising aimed at reducing consumption and encouraging energy saving with in-house initiatives and campaigns. Over the years the Parent company Salvatore Ferragamo S.p.A. has installed at its Osmannoro-Sesto Fiorentino plant photovoltaic systems and solar panels to produce electricity and hot water for the various buildings respectively, as it believes that the consequent environmental benefit is positive in terms of reduced CO2 emissions and reduced water consumption. In order to protect the environment, the Group has implemented an Environmental Management System, integrated with the Health and Safety Management System, which monitors compliance with environmental legislation and has strengthened the relevant management activities (internal procedures, monitoring and control systems, containment systems, choice of contractors, etc.). Through the new initiatives to expand and renovate the Osmannoro facility, the Group confirms its commitment to reduced energy consumption thanks to high efficiency plant and lighting, the use of alternative and renewable energy sources, the installation of building automation systems, pursuing the objective of sustainable management of buildings based on the principles of the "20-20-20 Plan" disseminated with the Kyoto Protocol: reduction in consumption, reduction in atmospheric emissions and use of alternative energy sources. In 2015, these initiatives came to fruition through the construction of the new "Building Q" which included among various other green initiatives the installation of a photovoltaic system and a geothermal system with a view to obtaining the Leed Platinum certification, the highest level certification for buildings in terms of energy efficiency and environmental sustainability. Lastly, the Group has decided to implement energy audits at its own sites and stores to define the company's energy structure and identify the most efficient and most wasteful functional areas in which to implement greater efficiency measures aimed at reducing energy consumption.

13. 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 2015 these costs totaled 25,146 thousand Euro (of which 24,498 thousand Euro incurred by the Parent company) compared to 24,036 thousand Euro in 2014 (of which 23,463 thousand Euro incurred by the Parent company).

14. Transactions with related parties

In compliance with the provisions of the Regulation adopted by CONSOB with resolution no. 17221 of 12 March 2010 and subsequent amendments, the Company Salvatore Ferragamo S.p.A. adopted a Related Party Transaction Procedure ("Related Party Procedure") which was revised and updated on 13 November 2014 and is available on the website in the section Investor Relations/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 Euro – are defined as "smaller" transactions and can be executed subject to a grounded and non-binding opinion of the aforementioned Committee. 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 – cannot be considered as atypical or unusual, since they form part of Group companies' regular business and are regulated at market conditions.

15. Main risks and uncertainties

Here below are the main risk factors to which the Parent company and the subsidiaries (the Group) are exposed, identified by type: strategic, operational, 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.

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.

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, 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 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 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.

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.

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, 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, the increasing spread and use of easily accessible media channels that broaden their appeal to a large catchment area, the dissemination of information or news and possible crimes connected to the production chain although entrusted to external workshops, may have an indirect impact on the brand.

Operating risks (connected to typical processes)

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.

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 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. In particular, reference is made to actions which could be undertaken by local managers in violation of the company's rules, ethical conduct and proper management rules, causing harm in terms of equity, financial performance and image. 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 significant 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 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.

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 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.
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 debt, and shareholders' equity as expressed in Euro in the Group's financial statements, and financial ratios.

Credit and counterparty risks

The Group's exposure to commercial credit risk refers only to wholesale sales and to receivables arising from revenues generated by licensing activities, which together represent around one third of global turnover: the remaining turnover refers to retail sales with payment usually made in cash or through credit and debit cards.

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.

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 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 and the expiry and possibility of renewal of debt or the expiry and possibility of liquidation of financial investments of surplus cash.

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 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.
In terms of risk, of particular importance are the rules which became applicable to the Parent company as a result of its status as a company listed on the Italian stock market (regulations were issued by market supervisory and regulation authorities, e.g. CONSOB), along with other regulations such as, among others, consumer protection, intellectual and industrial property rights and healthy competition, protection of health and safety of employees and the environment, privacy, the administrative responsibility of public entities as provided for by Legislative Decree 231/01, responsibility under Law 262/05 and industrial compliance concerning the conformity of distributed finished products and raw materials used in relation to the standards provided for by law.
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.

16. Significant events occurred after 31 December 2015

No significant events occurred after 31 December 2015.

17. Macroeconomic situation and outlook

World economic growth stood around 3.0% in 2015, with a modest growth rate and uneven trends. The macroeconomic scenario was characterized by China's slowdown, whose impact on emerging countries has led to high volatility on financial and currency markets. The continuous weakening of raw material prices has ceased to be considered solely as a lower cost and is now feared as a risk factor for the global economy. In advanced countries the upturn in economic activity is still underway but the rate of global growth is faltering. The numerous geopolitical tensions, especially in the Middle East, and the danger of terrorism, are a further cause of instability that has a negative impact on the climate of confidence and helps curb the recovery in consumption globally. These issues, together with the effects on the emerging economies of the process of normalization of monetary policy in the United States, affect the prospects for the global economy in 2016. Production in developed countries will continue to be fueled by domestic demand but it is uncertain if it will be accompanied by a significant acceleration in investment. Compared to an estimated 3.3% global growth rate, in the United States growth is expected of 2.6%, the Eurozone countries are expected to consolidate recovery with forecast unchanged at 1.7%. Growth is expected to be modest in Japan (around 1.2%), while in emerging countries overall it is expected to be around 4.2%, with slower growth rates compared with previous forecasts. The lower support of emerging countries to international trade is reflected in the risk of exposure to exports in various industries, not least in the luxury sector.

The persistence of uneven cyclical conditions results in a growing misalignment of monetary policies, more expansionary in Japan and the Eurozone, while in the United States normalization is currently underway. In December, the US Federal Reserve made the first rate hike since 2006, taking a prudent approach and after having long prepared the market, taking into account domestic and foreign economic conditions. In any case, central banks are expected to maintain eased liquidity conditions and low interest rates, continuing to inject abundant liquidity in the financial system and are expected to continue with quantitative easing, with some exceptions such as Brazil, whose currency is sharply depreciating.

In the United States, private domestic demand, driven mainly by consumption and favored by the continuous improvement in the labor market, continues to drive growth.

In the Eurozone the fall in exports was partly offset by domestic demand. The ECB's asset purchase program is proving effective in supporting economic activity but global conditions are slowing the return of inflation in line with the objective of price stability. In Italy, 2015 was the year of the reversal of the cycle: after a long recession, growth reached 0.7% and an acceleration to 1.5% is estimated for 2016.

The Japanese economy, after contracting in the second quarter of the year, returned to moderate growth. A recovery in private domestic demand – supported by fiscal policy and structural reforms concerning the labor market, liberalization and bureaucracy – is expected for 2016.

In the major emerging economies, particularly vulnerable to the impact of China's economic cycle, the economic situation remains generally weak, with performance varying among the different areas and countries. The intensification of the recession in Brazil contrasts with the improvement of the economic situation in India and the reduction in the fall in GDP in Russia. In China the growth forecasts for 2016 remain around 6.3%. In January 2016, as previously at the end of August 2015, lower than expected manufacturing rates have rekindled fears of a significant slowdown in the world's second largest economy, generating significant sales on the Shanghai stock market and major turmoil in global equity markets with significant losses.

The luxury sector, after experiencing significant growth in 2015 – also thanks to the weakening of the Euro – is expected to record lower growth during 2016. It is likely that the high volatility of markets, already recorded in the last quarters of 2015, will continue in 2016. The slowdown of the Chinese economy, an important area for the luxury market, and social and geopolitical tensions could have a negative impact on the sector's growth.

The Salvatore Ferragamo Group will obviously be affected by these factors but, thanks to the brand positioning, the broad product range and the extensive distribution network, a further increase in profits expected in 2016 for both the Group and the Parent company.

18. Separate Financial Statements as at 31 December 2015 of Salvatore Ferragamo S.p.A. – Proposal for approval

Dear Shareholders,
having completed the report and relying on your approval to the structure and basis of presentation of the separate financial statements for the year ended 31 December 2015, we:

1. submit the 2015 Separate Financial Statements to your approval;
2. propose to allocate the profit for 2015 of 202,108,784 Euro as follows:
   a) to Shareholders a gross dividend of 0.46 Euro for each of the 168,790,000 ordinary shares for a total of 77,643,400 Euro.
   b) the remainder amount, equal to 124,465,384 Euro, to the Extraordinary Reserve.

Florence, 17 March 2016

On behalf of the Board of Directors

The Chairman
Ferruccio Ferragamo

Salvatore Ferragamo Group

Consolidated Financial Statements as at 31 December 2015

Financial statements

Consolidated statement of financial position – assets

(In thousands of Euro)	Notes	31 December 2015	*of which with related parties*	31 December 2014	*of which with related parties*
NON CURRENT ASSETS					
Property, plant and equipment	5	236,452		212,077	
Investment property	6	7,470		7,015	
Intangible assets with a finite useful life	7	33,596		29,220	
Available-for-sale financial assets	8	20		25	
Other non current assets	9	7,453		6,683	
Other non current financial assets	10	16,874	*1,600*	14,668	*1,522*
Deferred tax assets	32	107,538		95,274	
TOTAL NON CURRENT ASSETS		**409,403**	***1,600***	**364,962**	***1,522***
CURRENT ASSETS					
Inventories	11	351,132		338,555	
Trade receivables	12	167,912	*79*	150,895	*54*
Tax receivables	13	19,123		13,488	
Other current assets	14	33,839	*2,420*	34,058	*2,025*
Other current financial assets	15	291		976	
Cash and cash equivalents	16	142,121		96,463	
TOTAL CURRENT ASSETS		**714,418**	***2,499***	**634,435**	***2,079***
TOTAL ASSETS		**1,123,821**	***4,099***	**999,397**	***3,601***

Consolidated statement of financial position – liabilities and shareholders' equity

(In thousands of Euro)	Notes	31 December 2015	*of which with related parties*	31 December 2014	*of which with related parties*
SHAREHOLDERS' EQUITY					
GROUP SHAREHOLDERS' EQUITY					
Share capital	17	16,879		16,841	
Reserves	17	374,314		292,784	
Net profit/(loss) – Group		172,733		156,565	
TOTAL GROUP SHAREHOLDERS' EQUITY		**563,926**		**466,190**	
MINORITY INTERESTS					
Share capital and reserves – minority interests		43,098		35,054	
Net profit/(loss) – minority interests		1,717		6,950	
TOTAL MINORITY INTERESTS		**44,815**		**42,004**	
TOTAL SHAREHOLDERS' EQUITY		**608,741**		**508,194**	
NON CURRENT LIABILITIES					
Non current interest-bearing loans & borrowings	22	23,312		21,331	
Provisions for risks and charges	18	8,025		7,106	
Employee benefit liabilities	19	11,664		11,583	
Other non current liabilities	20	55,387		48,758	
Deferred tax liabilities	32	3,924		4,171	
TOTAL NON CURRENT LIABILITIES		**102,312**	**-**	**92,949**	**-**
CURRENT LIABILITIES					
Trade payables	21	202,148	*344*	187,555	*326*
Interest-bearing loans & borrowings	22	123,641		121,083	
Tax payables	23	22,648		21,528	
Other current liabilities	24	59,112	*18,461*	63,710	*10,031*
Other current financial liabilities	25	5,219		4,378	
TOTAL CURRENT LIABILITIES		**412,768**	***18,805***	**398,254**	***10,357***
TOTAL LIABILITIES		**515,080**	***18,805***	**491,203**	***10,357***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,123,821**	***18,805***	**999,397**	***10,357***

Consolidated income statement

(In thousands of Euro)	Notes	2015	*of which with related parties*	2014	*of which with related parties*
Revenues from sales and services		1,417,163	*256*	1,320,901	*1,268*
Rental income investment properties		12,876		10,921	
Revenues	27	**1,430,039**		**1,331,822**	
Cost of goods sold	28-29	(481,961)		(483,389)	
Gross profit		**948,078**		**848,433**	
Style, product development and logistics costs	28-29	(43,839)	*(708)*	(43,491)	*(572)*
Sales & distribution costs	28-29	(455,452)	*(23,632)*	(388,308)	*(19,704)*
Marketing & communication costs	28-29	(72,471)	*(74)*	(68,047)	*(54)*
General and administrative costs	28-29	(109,159)	*(9,889)*	(97,631)	*(9,548)*
Other operating costs	28-29	(17,501)	*(91)*	(16,421)	*(88)*
Other income and revenues	30	14,944	*25*	10,881	*26*
Operating profit		**264,600**		**245,416**	
Financial charges	31	(52,952)		(29,817)	
Financial income	31	39,735	-	22,381	*1*
Profit before taxes		**251,383**		**237,980**	
Income taxes	32	(76,933)		(74,465)	
Net profit/(loss) for the period		**174,450**		**163,515**	
Net profit/(loss) – Group		172,733		156,565	
Net profit/(loss) – minority interests		1,717		6,950	

(In Euro)	Notes	2015	2014
Basic earnings per share – ordinary shares	33	1.024	0.930
Diluted earnings per share – ordinary shares	33	1.023	0.928

Consolidated statement of comprehensive income

(In thousands of Euro)	2015	2014
Net profit/(loss) for the period (A)	**174,450**	**163,515**
Other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period		
- Currency translation differences of foreign operations	(13,530)	43,016
- Net gain/(loss) from cash flow hedge	15,465	(40,096)
- Income taxes	(4,253)	11,027
	11,212	(29,069)
Total other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)	**(2,318)**	**13,947**
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	107	(1,094)
- Income taxes	(154)	363
	(47)	(731)
Total other income / (losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes (B2)	**(47)**	**(731)**
Total other income/(losses) for the period, net of taxes (B1+B2 = B)	**(2,365)**	**13,216**
Total comprehensive income for the period, net of taxes (A+B)	**172,085**	**176,731**
Group	167,904	166,224
Minority interests	4,181	10,507

Consolidated statement of cash flows

(In thousands of Euro)	**Notes**	**2015**	*of which with related parties*	**2014**	*of which with related parties*
NET PROFIT / (LOSS) FOR THE PERIOD		**174,450**		**163,515**	
Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:					
Amortization, depreciation and write-downs of tangible and intangible assets and investment property	5-6-7	59,740		47,518	
Allocation / (use) of deferred taxes	32	(14,155)		(5,306)	
Provision for employee benefit plans	19	720		800	
Allocation to / (use of) the provision for obsolete inventory	11	8,203		3,866	
Losses and provision for bad debt		325		2,401	
Losses / (gains) on disposal of tangible/intangible assets		1,200		728	
Other non-monetary items		1,655		3,796	
Changes in operating assets and liabilities:					
Trade receivables		(13,135)	(25)	(28,222)	12
Inventories		(41,185)		(20,077)	
Trade payables		12,014	18	(17,959)	32
Tax receivables		(5,100)		(2,420)	
Tax payables		42		(3,230)	
Employee benefits payments	19	(802)		(614)	
Other assets and liabilities*		13,681	7,957	(2,389)	(1,419)
Other – net		(194)		(409)	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**197,459**	**7,950**	**141,998**	**(1,375)**
Cash flow from investing activities:					
Purchase of tangible assets	5-6	(67,095)	(7,152)	(73,126)	
Purchase of intangible assets	7	(12,860)		(9,745)	
Net change in available-for-sale financial assets		7		-	-
Proceeds from the sale of tangible and intangible assets		349		301	
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**(79,599)**	**(7,152)**	**(82,570)**	**-**
Cash flow from financing activities:					
Net change in financial receivables		744		1,010	
Net change in financial payables		(2,701)	-	35,802	-
Dividends paid to shareholders of the Parent company	34	(70,732)	(52,117)	(67,364)	(49,617)
Dividends paid to minority shareholders	34	(667)	(667)	(2,423)	(1,822)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**(73,356)**	**(52,784)**	**(32,975)**	**(51,439)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**44,504**		**26,453**	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**96,455**		**70,292**	
Increase/(decrease) in cash and cash equivalents		44,504		26,453	
Effect of exchange rate translation differences		1,162		(290)	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	16	**142,121**		**96,455**	

ADDITIONAL INFORMATION		
Interest paid	5,498	5,152
Income taxes paid	82,415	89,570
Interest received	484	271
Dividends received	-	-

***** *For a better explanation, the changes in guarantee deposits (formerly shown in the cash flow from investing activities) have been included in the cash flow from operating activities, adjusting 2014 comparative data by 1,777 thousand Euro accordingly.*

Statement of changes in consolidated shareholders' equity

(In thousands of Euro)	Share capital	Share capital contributions	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Other reserves	Effect IAS 19 Equity	Net profit/(loss) for the period	Group shareholders' equity	Minority interests	Total shareholders' equity
As at 01.01.2015	**16,841**	**2,995**	**4,188**	**155,220**	**(15,698)**	**(317)**	**129,861**	**19,081**	**(2,546)**	**156,565**	**466,190**	**42,004**	**508,194**
Allocation of results	-	-	-	36,444	-	-	120,121	-	-	(156,565)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	172,733	172,733	1,717	174,450
Other comprehensive income/(loss)	-	-	-	-	11,212	(14,891)	(1,106)	-	(44)	-	(4,829)	2,464	(2,365)
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**11,212**	**(14,891)**	**(1,106)**	**-**	**(44)**	**172,733**	**167,904**	**4,181**	**172,085**
Distribution of dividends	-	-	-	-	-	-	(70,732)	-	-	-	(70,732)	(667)	(71,399)
Purchase of minority interests in companies consolidated on a line-by-line basis and accounting of options on minority interests	-	-	-	-	-	-	(222)	-	-	-	(222)	(703)	(925)
Stock Grant Reserve	-	-	-	-	-	-	-	786	-	-	786	-	786
Reclassifications	38	-	-	12	-	-	5,037	(5,087)	-	-	-	-	-
As at 31.12.2015	**16,879**	**2,995**	**4,188**	**191,676**	**(4,486)**	**(15,208)**	**182,959**	**14,780**	**(2,590)**	**172,733**	**563,926**	**44,815**	**608,741**

(In thousands of Euro)	Share capital	Share capital contribu tions	Legal reserve	Extraord inary reserve	Cash flow hedge reserve	Translati on reserve	Retained earnings	Other reserves	Effect IAS 19 Equity	Net profit/(los s) for the period	Group sharehol ders' equity	Minority interests	Total shareho lders' equity
As at 01.01.2014	**16,841**	**2,995**	**4,188**	**117,114**	**13,371**	**(39,511)**	**84,330**	**17,496**	**(1,810)**	**150,451**	**365,465**	**34,305**	**399,770**
Allocation of results	-	-	-	38,106	-	-	112,345	-	-	(150,451)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	156,565	156,565	6,950	163,515
Other comprehensive income/(loss)	-	-	-	-	(29,069)	39,194	270	-	(736)	-	9,659	3,557	13,216
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**(29,069)**	**39,194**	**270**	**-**	**(736)**	**156,565**	**166,224**	**10,507**	**176,731**
Distribution of dividends	-	-	-	-	-	-	(67,364)	-	-	-	(67,364)	(2,423)	(69,787)
Purchase of minority interests in companies consolidated on a line-by-line basis and accounting of options on minority interests	-	-	-	-	-	-	280	-	-	-	280	(385)	(105)
Stock Grant Reserve	-	-	-	-	-	-	-	1,585	-	-	1,585	-	1,585
As at 31.12.2014	**16,841**	**2,995**	**4,188**	**155,220**	**(15,698)**	**(317)**	**129,861**	**19,081**	**(2,546)**	**156,565**	**466,190**	**42,004**	**508,194**

Explanatory notes to the consolidated financial statements

1. Corporate information

Salvatore Ferragamo S.p.A. is a legal entity organized under Italian law and is listed on the Italian Stock Exchange (MTA segment).
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 2015 were approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 17 March 2016.
The main Group activities are set out in the Directors' report on operations.

1.1 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-bis of the Italian Civil Code.
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 2014 and 2013 is given below.

Ferragamo Finanziaria S.p.A. **(In Euro)**		**31 December 2014**	**31 December 2013**
	STATEMENT OF FINANCIAL POSITION		
ASSETS			
B)	Fixed assets	211,835,790	211,410,687
C)	Current assets	27,515,093	22,606,183
D)	Accrued expenses and deferred income	1,133	1,133
	TOTAL ASSETS	**239,352,016**	**234,018,003**
LIABILITIES AND SHAREHOLDERS' EQUITY			
A)	Shareholders' equity		
	- Share capital	49,749,960	49,749,960
	- Reserves	144,685,745	143,107,627
	- Profit (loss) for the year	36,579,327	30,280,018
D)	Payables	8,336,984	10,880,398
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**239,352,016**	**234,018,003**
	Guarantees, commitments and other risks	-	-
	INCOME STATEMENT		
A)	Value of production	11,973	375,243
B)	Costs of production	(1,226,839)	(1,145,263)
	Difference between value and costs of production	**(1,214,866)**	**(770,020)**
C)	Financial income and charges	37,378,290	30,898,747
E)	Extraordinary income and charges	-	(39,853)
	Profit before taxes	**36,163,424**	**30,088,874**
	Income taxes for the year, current and deferred	415,903	191,144
	Profit (loss) for the year	**36,579,327**	**30,280,018**

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 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;
- current assets refer to positive balances to be realized within 12 months;
- non current liabilities refer to payables due after more than 12 months, including financial payables, provisions for risks and charges and employee benefit liabilities;
- current liabilities refer to payables 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 structure chosen is in line with internal reporting processes and business operations. 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 2015 are the same as those adopted in previous years with the exception of international accounting standards newly adopted in 2015.

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. Effective 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 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;
- provisions for bad debt relating to wholesale sales, which are linked to the solvency of customers with whom the company has well-established and consolidated relations;
- provisions for risks and charges, in particular expected future expenses and ongoing or foreseeable disputes, as well as for marginal cases relating to the return of goods by customers;
- useful life of property, plant and equipment, intangible assets with a finite useful life and investment property, as well as the criteria for the capitalization of development costs;
- employee benefits, whose amounts are valued on an actuarial basis;
- receivables for deferred tax assets, in particular the estimate of their recoverability in regard to future income;
- fair value of financial instruments, in which derivatives are particularly important, and which the Group uses extensively to hedge exchange rate risks;
- fair value of share-based payment plans, whether settled in cash or in shares which the Parent company uses to provide incentives to the Group management;
- the Group entered into commercial lease contracts and determined, on the basis of the contractual terms and conditions (such as for example the fact that the contractual terms do not cover most of the economic life of the commercial property and the fair value of the asset), that all the significant risks

and benefits typical of ownership of the assets remain with the lessor; therefore, these contracts are recognized as operating leases.

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

The book value of Property, plant and equipment, Investment property, Intangible assets with a finite useful life, and Investments is subject to impairment testing when there are indicators of impairment 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 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.

The cash flows are taken from the business plans approved by the Board of Directors, which represent the best estimate made by the Company on the economic conditions set for the plan period. The plan forecasts normally refer to a time period of three years, the long-term growth rate (g) – used to estimate the terminal value of the asset – for prudential reasons is lower than the long-term growth rate for the sector, country or reference market. 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.

Disclosure on impairment

In the current economic scenario, although reassured by a positive trend in the economy, the Group considers disclosure regarding impairment of assets as particularly important. The Group has adopted a procedure to analyze indicators of impairment and a procedure for impairment testing. The results are listed in the notes relating to the individual assets.

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.
At the time of its sale or when there are no future economic benefits expected from the use of the asset, the asset is eliminated from the statement of financial position and any profit or loss (calculated as the difference between the disposal value and the book value) is recognized in the income statement in the year of the elimination.

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.

Leases

The definition of a contract as a lease transaction (or as containing a lease transaction) is based on the content of the agreement and requires an assessment as to whether the fulfillment of the agreement depends on the use of one or more specific assets and whether the agreement transfers the right to use this asset. A review is undertaken after the beginning of the contract only if one of the following conditions occurs:

a) change in the contract conditions other than a renewal or extension of the contract;
b) exercise of a renewal option or grant of an extension, unless the terms of the renewal or extension were not initially included in the terms of the lease transaction;
c) change in the condition under which fulfillment depends on the use of a specific asset; or
d) substantial change in the asset.

In case of a review, the recognition of the lease will start or end on the date on which there is a change in the circumstances which gave rise to the review for scenarios a), c) or d) and on the date of renewal or extension for scenario b).

The Group as lessee

A lease contract is classified as a financial lease or an operating lease at the start of the lease. A lease contract which substantially transfers to the Group all the risks and benefits of ownership of the leased asset is classified as financial lease. Financial leases are capitalized at the start date of the lease at the fair value of the leased asset, or, if lower, at the present value of the lease payments. Lease payments are divided between capital and interest so as to ensure the application of a constant interest rate on the residual balance of the amount due. Financial charges are recognized in the income statement. Leased assets are amortized over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership of the asset at the end of the contract, leased assets are amortized over the shorter of the estimated useful life of the asset and the duration of the lease contract.
Payments on operating leases are recognized in the income statement on a straight-line basis over the duration of the contract.

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.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method.
As from 1 January 2010, following the coming into force of IFRS 3 (revised), 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.
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 an asset or a liability will be recognized in accordance with the provisions of IAS 39, 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. If the potential consideration does not fall within the scope of application of IAS 39, it is measured in accordance with the relevant IFRS.
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.
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

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. During the period in which the asset is not yet being used, it will be reviewed annually to assess any impairment.

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.

Financial instruments

Financial instruments are initially recorded at fair value and, following their initial recognition, are valued in relation to their classification, pursuant to International Accounting Standard 39. For financial assets, this treatment is differentiated among the following categories:

- Financial assets at fair value through profit or loss
- held-to-maturity investments
- loans and receivables
- available-for-sale financial assets.

In reference to financial liabilities, just two categories are available:

- Financial liabilities at fair value through profit or loss
- liabilities at amortized cost.

The Group establishes the classification of its financial assets and liabilities when they are initially recognized.
The methods for determining fair value in reference to these 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.

Elimination of financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is eliminated from the statement of financial position when:

- the rights to receive cash flows from the asset have expired;
- the Group maintains the right to receive cash flows from the asset, but has entered into a contract obligation to pay them in full and without delay to a third party;
- the Group has transferred the right to receive the cash flows from the asset and (a) has transferred substantially all the risks and benefits relating to the ownership of the financial asset or (b) has not transferred substantially all the risks and benefits relating to the asset, but has transferred control of the asset.

When the Group has transferred the rights to receive cash flows from an asset and has neither transferred nor maintained substantially all the risks and benefits or has not lost control over the asset, the asset is recorded in the Group's financial statements to the extent of the Group residual involvement in the asset itself. Residual involvement which takes the form of a guarantee over the transferred asset is valued at the lower of the initial book value of the asset and the maximum consideration which the Group might be required to pay.

When the residual involvement takes the form of an option which has been issued and/or acquired in relation to the transferred asset (including cash-settled or similar options), the Group's involvement corresponds to the amount of the transferred asset which the Group may repurchase; however, in the case of a put option issued over an asset measured at fair value (including cash-settled or similar options), the Group's residual involvement is limited to the lower of the fair value of the transferred asset and the exercise price of the option.

Impairment of financial assets

The Group verifies at each reporting date whether a financial asset or group of financial assets has suffered impairment. A financial asset or a group of financial assets must be considered impaired if, and only if, there is objective evidence of impairment as the result of one or more events which have occurred since the initial recognition (when "an impairment event" occurs) and this impairment event has an impact, which can be reliably estimated, on the expected future cash flows of the financial asset or group of financial assets. Evidence of impairment may be indicators such as financial difficulties, the inability to meet obligations, insolvency in paying interest or major payments, which debtors, or a group of debtors, are experiencing, the likelihood that it will go bankrupt or be subject to some other forms of financial reorganization, and where observable data indicate that there is a measurable fall in estimated future cash flows, such as changes in circumstances or in economic conditions related to obligations.

Should financial assets be recorded at amortized cost, if there is objective evidence of impairment, the total loss is measured as the difference between the book value of the asset and the present value of the estimated future cash flows (excluding future expected bad debts which have not yet occurred). The current value of cash flows is discounted at the original effective interest rate of the financial asset. If a loan is at a floating interest rate, the discount rate for the assessment of any impairment is the effective current rate. The book value of the asset is reduced by using a provision for bad debt and the amount of the impairment is recorded in the income statement.

In the case of equity instruments which are classified as available for sale, the objective evidence would include a significant or prolonged reduction in the fair value of the instrument to below its cost. 'Significant' is intended with respect to the original cost of the instrument and 'prolonged' is intended with respect to (the duration of) the period in which the fair value has been below the original cost. Where there is evidence of impairment, the cumulative impairment – measured as the difference between the purchase cost and the current fair value, less any loss for impairment of that financial asset which has already been recorded in the income statement – is reversed from the other items of the comprehensive income statement and is recorded in the income statement.

Elimination of financial liabilities

A financial liability is eliminated when the obligation underlying the liability is extinguished, cancelled or fulfilled.

Should an existing financial liability be replaced by another liability from the same lender at significantly different conditions, or should the conditions of an existing liability be substantially modified, this replacement or change is treated as an accounting elimination of the original liability and the recording of a new liability, with the recognition in the income statement of possible differences between the book values.

Available-for-sale financial assets

Available-for-sale financial assets are those financial assets, excluding derivatives, which have been designated as such or which are not classified in another financial instrument category. After their initial recognition, available-for-sale financial assets are valued at fair value and the gains and losses are recorded directly in the statement of comprehensive income. Investments in other companies, representing non current financial assets which are not held for trading (the so-called available for sale investments), are initially recognized at fair value. Subsequently, gains and losses deriving from changes in fair value are charged directly to shareholders' equity until the assets are sold or impaired; in that moment overall gains or losses which have been previously recognized under shareholders' equity are charged to the income statement for the period. Investments in other smaller companies for which the fair value cannot be reliably established, are recognized at cost, possibly written down for impairment.

Financial assets and other non current assets

These assets are valued based on amortized cost, using the effective interest rate method, net of any provision for impairment.

The amortized cost is calculated by considering all purchase discounts or premiums and includes fees, which are an integral part of the effective interest rate and of the transaction costs.

Trade receivables

Receivables are initially recognized at fair value, which generally corresponds to the nominal value and subsequently at amortized cost, except when the short duration of the receivables makes the application of the amortized costs negligible. They are written down in the case of impairment. In addition, they are adjusted to their presumed realizable value by recording a specific adjustment provision.

Other receivables and other financial assets

They are initially recognized at fair value and are subsequently valued using the amortized cost method.

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.

Interest-bearing loans & borrowings

Loans are initially recognized at cost, corresponding to the fair value of the amount received, net of ancillary charges to take out the loan. Following initial recognition, loans are valued at amortized cost, using the effective interest method.

Inventories

Inventories are valued 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.

Non current assets classified as 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.

Employee benefit liabilities

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. Actuarial gains and losses are recorded directly in the statement of comprehensive income, as provided for by IAS 19.
In Italy, as from 1 January 2007, the Finance Bill 2007 and the related implementation decrees introduced important changes to the regulation of employee severance indemnities, including the employee being able to choose the destination of his or her accruing indemnities, to either complementary pension funds or to the fund (Fondo di Tesoreria) managed by INPS (Italian Social Security Agency).
It, therefore, follows that the obligation to INPS and contributions to complementary pensions, pursuant to IAS 19, become "Defined-contribution plans", while the amounts recorded in the provision for employee severance indemnities are still "Defined-benefit plans". The legislative changes which have occurred as from 2007 have, in addition, entailed a reduction in defined benefits with a change in the actuarial assumptions and the consequent calculations used to determine employee severance indemnities, whose effects are directly charged to the income statement.
The actuarial assessment of liabilities has been entrusted to an independent actuary.

Trade payables

Trade payables, whose expiry falls within normal conditions, are not discounted since the discounting effect on cash flows is negligible and they are recorded at their nominal value.

Derivatives

Derivatives are used solely with the purpose of hedging financial risks relating to exchange rate changes affecting commercial transactions in foreign currency.
In keeping with the provisions of IAS 39, hedge derivatives can be accounted for in accordance with the methods established for hedge accounting only when:

- at the start of the hedge, there is formal designation and documentation of the hedge itself;
- the hedge is likely to be highly effective;
- 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 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.
- 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 and which could affect the income statement, the effective portion of the gains or losses on the derivative is recorded under shareholders' equity; 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.

Revenues and costs

Revenues and costs are shown in accordance with the accruals principle.
Revenues are recorded if the relevant economic benefits are likely to be accrued by the Group and the related amount can be reliably determined, regardless of the date on which payment is received. Revenues are valued at the fair value of the consideration received or to be received, taking into account the contractually defined payment terms and excluding taxes and duties. Revenues and income are recorded net of returns, discounts, allowances and premiums.

Sale of goods

Revenues for product sales are recognized when the Group has transferred to the purchaser all the significant risks and benefits related to the product ownership, i.e. at the time of the transfer of ownership, generally, corresponding to the shipment of goods.

Royalties

Revenues from royalties are recorded on an accrual basis in accordance with contract conditions.

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.

Share-based payment plans

The Group recognizes additional benefits to some employees 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 they are granted, 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.

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 grant date. 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.

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.
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 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 company records a financial liability corresponding to the current value of the liability. At the time of initial recognition of the liability, this value is reclassified from the accounting shareholders' equity. The liability is subsequently remeasured at the end of each period in compliance with IAS 39. The accounting policy chosen by the company provides for: a) the allocation of profit/(loss) to minority interests; b) the reclassification of minority interests under debt at the end of each accounting period as if the acquisition had occurred on that date; c) the recognition under shareholders' equity of every change in value in the liability.

Changes in international accounting standards

IFRIC 21 Levies
IFRIC 21 clarifies that an entity recognizes a liability to pay a levy no earlier than when the event that triggers the payment of the levy occurs, as described in the relevant legislation. If an obligation to pay is triggered on reaching a minimum threshold, the liability is recognized only when that minimum threshold is reached. IFRIC 21 requires retrospective application. This interpretation did not have any impact on the Group's financial statements.

IFRS annual improvements cycle 2011-2013
The improvements concern the following issues:
IFRS 3: It is made clear that this standard does not apply to the accounting for the formation of a joint arrangement in the financial statements;
IFRS 13: Amendment to the scope of portfolio exception in paragraph 52;
IAS 40: Clarification on the interrelationship between IFRS 3 "Business Combinations" and IAS 40 "Investment property" when property can be classified as investment property or owner-occupied property.
This improvement cycle did not have any impact on the Group's financial statements.

The Group has not adopted in advance any standard, interpretation or improvement that has been issued but which is not yet in force.

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.

Amendments to IFRS 11 Joint arrangements: Accounting for interests in joint operations
In compliance with the amendments to IFRS 11, the acquirer of an interest in a joint operation (joint operator) in which the activity constitutes a business is required to apply all of the principles on business combinations accounting in IFRS 3. The amendments also clarify that, if the joint arrangement is retained, previously held interests in a joint arrangement are not remeasured when acquiring an additional interest. In addition, an exclusion from the scope of IFRS 11 has been added to clarify that the amendments do not apply when the parties sharing control, including the entity which prepares the financial statements, are subject to the joint control of the ultimate controlling entity. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in the same joint operation. The amendments apply to annual periods beginning on or after 1 January 2016 and early adoption is permitted. No impact is expected on the Group following the application of these amendments.

Amendments to IAS 19 Employee benefits: Employee contributions
IAS 19 mandates that an entity has to consider contributions from employees or third parties when accounting for defined benefit plans. Contributions that are linked to service must be attributed to periods of service as a reduction of service cost. The amendment clarifies that, if the amount of the contributions is independent of the number of years of service, contributions may be recognized as a reduction in the service cost in the period in which the related service is rendered, instead of allocating the contributions to periods of service. This amendment is applicable for annual periods beginning on or after 1 February 2015.

IFRS annual improvements cycle 2010-2012
The improvements will be applicable for annual periods beginning on or after 1 February 2015 and concern the following issues:
IFRS 2: Definition of "Vesting Conditions";
IFRS 3: Accounting of "contingent considerations" from a business combination;
IFRS 8: Disclosures on the aggregation of operating segments
IFRS 8: Reconciliation of total assets of operating segments and total assets of the company
IFRS 13: Short-term receivables and payables
IAS 16/IAS 38: Revaluation method: proportionate restatement of accumulated depreciation
IAS 24: An entity providing key management personnel services is a related party of the reporting entity.

IFRS 9 Financial instruments
In July 2014, the IASB issued the final version of IFRS 9 "Financial Instruments" which reflects all the phases of the project concerning financial instruments and replaces IAS 39 "Financial Instruments: Recognition and measurement" and all the previous versions of IFRS 9. The standard introduces new requirements for classification, measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The standard requires retrospective application of the standard, but presentation of comparative information is not compulsory. Previous versions of IFRS 9 (2009, 2010 and 2013) may be adopted early provided the relevant date of initial application is before 1 February 2015. The Group is currently assessing the impact of IFRS 9.

IFRS 15 Revenue from contracts with customers
IFRS 15 was issued in May 2014 and introduces a new five-step model to be applied to revenue from contracts with customers. IFRS 15 requires an entity to recognize revenue to depict the transfer of promised goods or services 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. The standard provides a more comprehensive framework for revenue recognition and measurement, replacing all the current revenue recognition requirements included in other IFRS. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with a full or modified retrospective application. Early adoption is permitted. The Group is currently assessing the impact of IFRS 15.

Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization
The amendments provide additional guidance on the principle contained in IAS 16 and IAS 38: revenue reflects a pattern of generation of economic benefits that arise from the operation of a business (of which an asset is part), rather than the pattern of consumption of an asset's expected future economic benefits. Therefore the amendments prohibit entities from using a revenue-based method for items of property, plant and equipment and this method could be used only in very limited circumstances for the amortization of intangible assets. The amendments apply prospectively to annual periods beginning on or after 1 January 2016 and early adoption is permitted. No impact is expected on the Group following the application of these amendments given that the Group does not use revenue-based methods of amortization and depreciation of its non current assets.

IFRS annual improvements cycle 2012-2014
The improvements will be applicable as from 1 January 2016 or subsequently and concern the following issues:

IFRS 5: Guidance on reclassifications as one of the methods of disposal;
IFRS 7: Further guidance on servicing contracts and the applicability of IFRS 7 to interim financial statements;
IAS 19: Clarifications on the discount rate;
IAS 34: Clarifications on the meaning of "elsewhere in the interim financial report".

Amendments to IAS 1: use of judgment in financial disclosure
The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports and are effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment entities: applying the consolidation exception
The amendment clarifies the issues arising from the application of the consolidation exception associated with investment entities, and is effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

Amendments to IFRS 10 and IAS 28: sale or contribution of assets between an investor and its associate or joint venture
The amendment addresses a conflict between the requirements of IAS 28 and IFRS 10 and clarifies that, in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The amendment is effective for annual periods beginning on or after 1 January 2016; early adoption is permitted. The European Union has postponed the endorsement process pending further developments on the amendment.

Consolidation area

The Consolidated Financial Statements as at 31 December 2015 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 2015 include the 2015 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 period. 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 2015 compared to 31 December 2014.

Company name	Location	Currency	Share capital	31 December 2015			31 December 2014		
				Controlling interest		Notes	Controlling interest		Notes
				Direct	Indirect		Direct	Indirect	
Salvatore Ferragamo S.p.A.	Florence, Italy	Euro	16,879,000	Parent company			Parent company		
Ferragamo Retail Nederland B.V.	Amsterdam, Holland	Euro	500,000	100%			100%		
Ferragamo France S.A.S.	Paris, France	Euro	4,334,094	100%			100%		
Ferragamo Deutschland GmbH	Munich, Germany	Euro	3,300,000	100%			100%		
Ferragamo Austria GmbH	Vienna, Austria	Euro	1,853,158	100%			100%		
Ferragamo U.K. Limited	London, United Kingdom	Pound Sterling	6,172,735	100%			100%		
Ferragamo (Suisse) SA	Mendrisio, Switzerland	Swiss Franc	1,000,000	100%			100%		
Ferragamo Belgique SA	Brussels, Belgium	Euro	750,000	100%			100%		
Ferragamo Monte-Carlo S.A.M.	Principality of Monaco	Euro	304,000	100%			100%		
Ferragamo Espana S.L.	Madrid, Spain	Euro	4,600,000	100%			100%		
Ferragamo Denmark ApS	Copenhagen, Denmark	Danish Krone	500,000	100%					
Ferragamo USA Inc.	New York, United States	US Dollar	74,011,969	100%			100%		
Ferragamo Canada Inc.	Vancouver, Canada	Canadian Dollar	4,441,461		100%	(1)		100%	(1)
S-Fer International Inc.	New York, United States	US Dollar	4,600,000		100%	(1)		100%	(1)
Sator Realty Inc.	New York, United States	US Dollar	100,000		100%	(1)		100%	(1)
Ferragamo Latin America Inc.	Miami, United States	US Dollar	300,000	100%		(7)	100%		(7)
Ferragamo St. Thomas Inc.	U.S. Virgin Island	US Dollar	1,201,000		100%	(4)(7)		100%	(4)(7)
Ferragamo Mexico S. de R.L. de C.V.	Mexico City, Mexico	Mexican Peso	4,592,700	99.73%	0.27%	(1)	99.73%	0.27%	(1)
Ferragamo Chile S.A.	Santiago, Chile	Chilean Peso	1,362,590,000	99%	1%	(1)	99%	1%	(1)
Ferragamo Argentina S.A.	Buenos Aires, Argentina	Argentine Peso	2,969,107	95%	5%	(1)	95%	5%	(1)
Ferragamo Brasil Roupas e Acessorios Ltda.	Sao Paulo, Brazil	Brazilian Real	48,615,000	99%	1%	(1)	99%	1%	(1)
Ferragamo Hong Kong Ltd.	Hong Kong, China	Hong Kong Dollar	10,000	100%			100%		
Ferragamo Japan K.K.	Tokyo, Japan	Japanese Yen	305,700,000	71%		(6)	71%		(6)
Ferragamo Australia Pty Ltd.	Sydney, Australia	Australian Dollar	13,637,003	100%			100%		
Ferrimag Limited	Hong Kong, China	Hong Kong Dollar	109,200,000		75%	(2)		75%	(2)
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	Shanghai, China	US Dollar	200,000		75%	(3)		75%	(3)
Ferragamo Moda (Shanghai) Co.Ltd	Shanghai, China	US Dollar	1,400,000	75%			75%		
Ferragamo Retail HK Limited	Hong Kong, China	Hong Kong Dollar	39,000,000		75%	(3)		75%	(3)
Ferragamo Retail Taiwan Limited	Taipei, Taiwan	New Taiwanese Dollar	136,250,000		75%	(3)		75%	(3)
Ferragamo Retail Macau Limited	Macau, China	Macau Pataca	25,000	75.2%			75.2%		
Ferragamo Retail India Private Limited	New Delhi, India	Indian Rupee	150,000,000	51%		(5)	51%		(5)
Ferragamo Korea Ltd.	Seoul, South Korea	South Korean Won	3,291,200,000	80%			80%		
Ferragamo (Singapore) Pte Ltd	Singapore	Singapore Dollar	4,600,000	80%			80%		
Ferragamo (Thailand) Limited	Bangkok, Thailand	Baht	100,000,000	80%			80%		
Ferragamo (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	Malaysian Ringgit	1,300,000	80%			80%		
Ferragamo Parfums S.p.A.	Florence, Italy	Euro	10,000,000	100%			100%		
Ma.Ga Immobiliare S.r.l.	Florence, Italy	Euro	20,000	100%			na		

1 – Through Ferragamo USA Inc.; 2 – Through Ferragamo Hong Kong Ltd.; 3 – Through Ferrimag Limited; 4 – Through Ferragamo Latin America Inc.; 5 – The investment in Ferragamo Retail India Private Ltd. refers to the legal percentage of ownership. In light of the existence of a call option on the company's minority interests which transfers the benefits and risks to Salvatore Ferragamo S.p.A., all reference to the minority interest has been removed from consolidated shareholders' equity; 6 – The investment in Ferragamo Japan K.K. refers to the legal percentage of ownership. In light of a put option attributed to the company's minority shareholders, all reference to the minority interest has been removed from consolidated shareholders' equity; 7 - Non-operating company in liquidation.

During 2015 the composition of the Salvatore Ferragamo Group saw the following changes:

- in January 2015 the Danish company Ferragamo Denmark ApS was set up (100% owned by Salvatore Ferragamo S.p.A.);
- in July 2015 all the stakes of Ma.Ga. Immobiliare S.r.l. were bought in order to make available further building plots of land owned by said company and needed for the expansion of the Osmannoro-Sesto Fiorentino facility in order to build the new logistics center.

For further details reference should be made to the section "Significant events occurred during the year".

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 2015 and 2014.

Company	Assets	Minority interest (%) 31 December 2015	Minority interest (%) 31 December 2014
Ferragamo Korea Ltd.	Retail and distribution company for the South Korean market	20%	20%
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%

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 2015 and 2014 accounts, which were drawn up for the purposes of preparing the consolidated financial statements, gross of intercompany eliminations.

(In thousands of Euro) **31 December 2015**	**Ferragamo Korea Ltd.**	**Ferragamo Fashion Trading (Shanghai) Co. Ltd.**	**Ferragamo Retail HK Limited**
Non current assets	17,376	23,795	10,114
Current assets	63,636	123,334	33,742
Non current liabilities	496	1,460	3,705
Current liabilities	22,421	94,949	7,305
Shareholders' equity	58,095	50,720	32,846
Minority interests	**11,619**	**16,115**	**7,057**
Revenues	115,466	138,648	69,541
Profit for the year	4,395	4,164	2,023
Net profit/(loss) – minority interests	**879**	**1,041**	**506**
Total comprehensive income for the period	4,395	4,164	2,023
Comprehensive income attributed to minority interests	**879**	**1,041**	**506**
Net cash provided by (used in) operating activities	998	(118)	2,047
Net cash provided by (used in) investing activities	(2,720)	(6,983)	(2,065)
Net cash provided by (used in) financing activities	-	11,024	237
Increase/(decrease) in cash and cash equivalents	(1,722)	3,923	219
Dividends paid to minority interests	-	-	-

(In thousands of Euro) **31 December 2014**	**Ferragamo Korea Ltd.**	**Ferragamo Fashion Trading (Shanghai) Co. Ltd.**	**Ferragamo Retail HK Limited**
Non current assets	16,848	20,814	8,988
Current assets	58,965	102,015	27,919
Non current liabilities	876	1,157	2,805
Current liabilities	22,941	78,002	6,519
Shareholders' equity	51,996	43,670	27,583
Minority interests	**10,399**	**14,357**	**5,861**
Revenues	99,584	126,387	70,585
Profit for the year	4,648	11,231	8,281
Net profit/(loss) – minority interests	**930**	**2,808**	**2,070**
Total comprehensive income for the period	4,648	11,231	8,281
Comprehensive income attributed to minority interests	**930**	**2,808**	**2,070**
Net cash provided by (used in) operating activities	7,220	6,309	6,360
Net cash provided by (used in) investing activities	(3,379)	(9,943)	(1,928)
Net cash provided by (used in) financing activities	(3,615)	6,009	(4,267)
Increase/(decrease) in cash and cash equivalents	226	2,375	165
Dividends paid to minority interests	601	-	-

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 rates		Exchange rates at the end of the reporting period	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
US Dollar	1.1095	1.3285	1.0887	1.2141
Swiss Franc	1.06786	1.21462	1.0835	1.2024
Japanese Yen	134.314	140.3062	131.07	145.2300
Pound Sterling	0.7258	0.8061	0.7340	0.7789
Danish Krone	7.4587	7.4548	7.4626	7.4453
Australian Dollar	1.4777	1.4719	1.4897	1.4829
South Korean Won	1,256.55	1,398.15	1,280.79	1,324.80
Hong Kong Dollar	8.6014	10.3025	8.4376	9.4170
Mexican Peso	17.616	17.6550	18.9145	17.8679
New Taiwanese Dollar	35.235	40.2398	35.8160	38.3711
Singapore Dollar	1.5255	1.6824	1.5417	1.6058
Thai Baht	38.0278	43.1469	39.2480	39.9100
Malaysian Ringgit	4.3373	4.3446	4.6959	4.2473
Indian Rupee	71.1956	81.0406	72.0215	76.7190
Macau Pataca	8.853	10.6029	8.6849	9.6875
Chinese Renminbi	6.9733	8.1857	7.0608	7.5358
Chilean Peso	726.06	756.636	772.88	736.290
Argentine Peso	10.267	10.767	14.131	10.158
Brazilian Real	3.7004	3.1211	4.3117	3.2207
Canadian Dollar	1.4186	1.4661	1.5116	1.4063

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 carried out after 1 January 2005 (date of transition to IFRS) 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 application of IFRS, some derivatives have been classified as held for trading, although they have been entered into solely for hedging purposes.

Financial liabilities mainly consist of trade payables and payables to banks and other financial payables. 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 interest rates;
- price risk, relating to the sensitivity of the assets and liabilities market value to changes in the level of market 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. Uses of the lines range from a few days to a maximum of one 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 reduce the Group's exposure to the banking system and limit the 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.

Sensitivity Analysis

Sensitivity analysis of interest rate risk on floating rate items				Market risk
(In thousands of Euro)	Underlying asset	Increase/reduction in underlying interest rates		Impact on the income statement
2015				
	SGD	0.74%		(77)
POSITIVE CHANGE	CNY	1.25%		(534)
	INR	3.45%		(278)
	THB	0.67%		(24)
			Total	**(913)**
	SGD	(0.74)%		77
NEGATIVE CHANGE	CNY	(1.25)%		534
	INR	(3.45)%		278
	THB	(0.67)%		24
			Total	**913**
2014				
	SGD	0.06%		(2)
POSITIVE CHANGE	CNY	0.05%		(9)
	INR	2.58%		(96)
	THB	0.57%		(13)
			Total	**(130)**
	SGD	(0.06)%		2
NEGATIVE CHANGE	CNY	(0.05)%		19
	INR	(2.58)%		96
	THB	(0.57)%		13
			Total	**130**

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 undertaken on risk factors which generate significant exposure (interest rate curves in Singapore Dollar, Chinese Renminbi, Indian Rupee and Thai Baht whose effects are indicated separately in the above table) showed potential profits or losses in the income statement amounting to 913 thousand Euro for 2015 compared with potential profits or losses amounting to 130 thousand Euro for 2014.
The increasing impact on the income statement of interest rate changes in the two years under review is mainly due to changes in the amounts of sensitive assets and liabilities, the trend in interest rates and the relevant market volatility. The possible upward or downward change in the market's benchmark interest rates has 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 the 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 countervalues 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 collect a currency other than the Euro for a future date arises (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 2015 the percentages of net revenues of the Parent company in US dollars were around 38%, in yen around 7% and in renminbi around 6%. In the year ended 31 December 2014, the percentage of net revenues generated by the Parent company in US dollars was around 50% of net revenues, in Japanese yen around 6% while sales to the Chinese market were still denominated in US dollars. The currency risks originate mainly from exports of the Parent company in US dollars, Japanese yen and Chinese renminbi.
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, during 2014 exchange rate risk management centralized at the Parent company level was progressively extended to the Canadian subsidiary and to most of the domestic currencies of the Asian subsidiaries. The process was completed in 2015. Goods transferred for consideration to these companies are no longer settled in US dollars, as in previous years, but 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, hedging is arranged for an amount generally between 50% and 90% of forecast sales in 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 and 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 2015 and 31 December 2014:

Exchange rate risk	Cash flow hedge reserve	
(In thousands of Euro)	**2015**	**2014**
Opening balance	**(21,653)**	**18,443**
+ increases for recognition of new positive effectiveness	4,587	2,256
- decreases for recognition of new negative effectiveness	(40,042)	(28,490)
- decreases for reversal of positive effectiveness from shareholders' equity and recognition of income in profit or loss	(1,276)	(15,785)
+ increases for reversal of negative effectiveness from shareholders' equity and recognition of cost in profit or loss	52,196	1,923
Closing balance	**(6,188)**	**(21,653)**

The reserve, which consists of the value changes in hedges for expected transactions in foreign currency, increased overall by 15,465 thousand Euro during 2015, while it decreased by 40,096 thousand Euro in 2014. The value changes reflect the trend in the Euro against the main hedged currencies, especially the exchange rate between the Euro and the US dollar, which over the two-year period saw a sharply declining trend, going from values around 1.38 in January 2014 to 1.21 in December 2014; the depreciation of the Euro accelerated in the early months of 2015, reaching minimum rates around 1.04 in March, to close the year at levels around 1.10; value changes also reflect the trend in the exchange rate between the Euro and the Japanese yen, which rose from around 145 in early January 2014, to a maximum of around 150 in December 2014, to return to minimum rates around 126 in April 2015, the level at which it ended the year after reaching a peak over 140 in June. The effective amount transferred directly from the Reserve to the income statement under "Revenues from sales" on occurrence of the underlying flows was a negative total of 50,920 thousand Euro in 2015 while it was positive at 13,862 thousand Euro in 2014. During 2015-2014 no hedge was interrupted due to the cancellation of the expected underlying value. Hedges were one hundred percent effective for the whole duration of the underlying asset.

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 2015 and 2014. The comparison between the two years under review shows that during 2015 the centralization process at the Parent company level of exchange rate risk management was completed for those currencies for which it had begun in 2014, extending to the whole annual period and further reducing the amount of exposure originally denominated in US dollars.

Cash flow analysis (hedged items): Financial recognition

(In thousands) 31 December 2015	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	from 9 months to 1 year	over 1 year
Exchange rate risk						
Sales expected in USD	**263,000**	84,000	90,000	75,000	14,000	-
Sales expected in JPY	**5,800,000**	1,400,000	1,500,000	1,600,000	1,300,000	-
Sales expected in GBP	**7,000**	2,000	2,000	2,500	500	-
Sales expected in MXN	**180,000**	60,000	60,000	60,000	-	-
Sales expected in CHF	**5,500**	1,500	1,500	1,500	1,000	-
Sales expected in AUD	**4,500**	1,000	1,500	2,000	-	-
Sales expected in CAD	**8,500**	3,500	3,000	2,000	-	-
Sales expected in CNY	**290,000**	100,000	90,000	100,000	-	-
Sales expected in HKD	**125,000**	55,000	10,000	60,000	-	-
Sales expected in SGD	**11,000**	5,000	6,000	-	-	-
Sales expected in KRW	**24,000,000**	8,000,000	10,000,000	6,000,000	-	-

(In thousands) 31 December 2014	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	from 9 months to 1 year	over 1 year
Exchange rate risk						
Sales expected in USD	**342,000**	110,000	98,000	86,000	48,000	-
Sales expected in JPY	**3,900,000**	1,200,000	1,300,000	1,400,000	-	-
Sales expected in GBP	**8,000**	2,000	2,000	2,500	1,500	-
Sales expected in MXN	**220,000**	60,000	60,000	70,000	30,000	-
Sales expected in CHF	**8,000**	1,500	1,500	2,000	1,500	1,500
Sales expected in AUD	**4,000**	1,500	2,000	500	-	-
Sales expected in CAD	**8,000**	3,000	3,000	2,000	-	-
Sales expected in CNY	**205,000**	-	95,000	70,000	40,000	-
Sales expected in HKD	**100,000**	-	50,000	50,000	-	-
Sales expected in SGD	**15,000**	7,000	4,000	4,000	-	-
Sales expected in KRW	**32,000,000**	14,000,000	12,000,000	6,000,000	-	-

Cash flow analysis (hedged items): Impact on the income statement

(In thousands) 31 December 2015	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	from 9 months to 1 year	over 1 year
Exchange rate risk						
Sales expected in USD	**293,000**	93,000	84,000	92,000	24,000	-
Sales expected in JPY	**7,000,000**	1,900,000	1,100,000	1,700,000	1,500,000	800,000
Sales expected in GBP	**7,200**	2,200	1,500	1,700	1,800	-
Sales expected in MXN	**180,000**	60,000	60,000	60,000	-	-
Sales expected in CHF	**5,800**	1,500	1,500	1,300	1,100	400
Sales expected in AUD	**6,000**	2,000	500	2,500	1,000	-
Sales expected in CAD	**9,500**	3,500	3,000	3,000	-	-
Sales expected in CNY	**310,000**	100,000	80,000	90,000	40,000	-
Sales expected in HKD	**135,000**	50,000	25,000	40,000	20,000	-
Sales expected in SGD	**14,400**	4,400	6,000	4,000	-	-
Sales expected in KRW	**31,000,000**	11,000,000	4,000,000	16,000,000	-	-

(In thousands) 31 December 2014	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	from 9 months to 1 year	over 1 year
Exchange rate risk						
Sales expected in USD	**374,000**	102,000	110,000	102,000	48,000	12,000
Sales expected in JPY	**4,800,000**	1,300,000	1,300,000	1,300,000	900,000	-
Sales expected in GBP	**8,300**	1,600	2,000	2,400	1,700	600
Sales expected in MXN	**220,000**	60,000	60,000	70,000	30,000	-
Sales expected in CHF	**8,650**	1,850	1,600	1,700	1,700	1,800
Sales expected in AUD	**5,000**	1,500	1,500	2,000	-	-
Sales expected in CAD	**9,000**	3,000	3,000	3,000	-	-
Sales expected in CNY	**205,000**	-	55,000	80,000	70,000	-
Sales expected in HKD	**100,000**	-	30,000	60,000	10,000	-
Sales expected in SGD	**17,000**	4,000	5,000	6,000	2,000	-
Sales expected in KRW	**36,000,000**	8,000,000	14,000,000	11,000,000	3,000,000	-

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, Japanese yen, Chinese renminbi, South Korean Won, Mexican Peso and Hong Kong dollar. From a time viewpoint, hedges lasting over one year are included within eighteen months. 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 2015 and 2014.

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.

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 2015 (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	10.8%	Derivatives	668	3,787
			Non-derivatives	35	
	EUR/USD	10.2%	Derivatives	6,576	17,058
			Non-derivatives	(446)	-
	EUR/KRW	12.0%	Derivatives	503	1,677
			Non-derivatives	(3)	
	EUR/CNY	9.9%	Derivatives	1,019	2,675
			Non-derivatives	(6)	-
	EUR/HKD	10.7%	Derivatives	402	977
			Non-derivatives	26	-
	EUR/MXN	13.1%	Derivatives	268	736
			Non-derivatives	(12)	-
	EUR/CAD	9.7%	Derivatives	640	350
			Non-derivatives	7	-
Total				**9,677**	**27,260**

31 December 2015 (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	(10.8%)	Derivatives	(830)	(4,703)
			Non-derivatives	(44)	-
	EUR/USD	(10.2%)	Derivatives	(8,076)	(20,948)
			Non-derivatives	542	-
	EUR/KRW	(12.0%)	Derivatives	(641)	(2,136)
			Non-derivatives	3	-
	EUR/CNY	(9.9%)	Derivatives	(1,243)	(3,262)
			Non-derivatives	6	-
	EUR/HKD	(10.7%)	Derivatives	(499)	(1,212)
			Non-derivatives	(32)	-
	EUR/MXN	(13.1%)	Derivatives	(381)	(958)
			Non-derivatives	12	-
	EUR/CAD	(9.7%)	Derivatives	(777)	(426)
			Non-derivatives	(9)	-
Total				**(11,969)**	**(33,645)**

31 December 2014 (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	10.6%	Derivatives	265	2,315
			Non-derivatives	55	-
	EUR/USD	8.9%	Derivatives	5,287	18,286
			Non-derivatives	(650)	-
	EUR/KRW	13.0%	Derivatives	346	2,423
			Non-derivatives	(180)	-
	EUR/CNY	8.7%	Derivatives	-	2,177
			Non-derivatives		-
	EUR/HKD	9.2%	Derivatives	-	890
			Non-derivatives	25	-
	EUR/MXN	12.1%	Derivatives	363	968
			Non-derivatives	-	-
	EUR/CAD	8.5%	Derivatives	112	336
			Non-derivatives	(18)	-
Total				**5,605**	**27,395**

31 December 2014 (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	(10.6%)	Derivatives	(328)	(2,865)
			Non-derivatives	(27)	-
	EUR/USD	(8.9%)	Derivatives	(6,297)	(21,852)
			Non-derivatives	765	-
	EUR/KRW	(13.0%)	Derivatives	(449)	(3,144)
			Non-derivatives	233	
	EUR/CNY	(8.7%)	Derivatives	-	(2,592)
			Non-derivatives	-	-
	EUR/HKD	(9.2%)	Derivatives	-	(1,070)
			Non-derivatives	(30)	-
	EUR/MXN	(12.1%)	Derivatives	(463)	(1,236)
			Non-derivatives	-	-
	EUR/CAD	(8.5%)	Derivatives	(133)	(398)
			Non-derivatives	21	-
Total				**(6,708)**	**(33,157)**

As set out in the table above, a positive change in the exchange rates (*EUR/JPY*, *EUR/USD*, *EUR/KRW*, *EUR/CNY*, *EUR/HKD*, *EUR/MXN* and *EUR/CAD*) would have produced a profit of 9,677 thousand Euro as at 31 December 2015 and a profit of 5,605 thousand Euro as at 31 December 2014; similarly, a negative change in the exchange rates would have produced a loss of 11,969 thousand Euro as at 31 December 2015 and a loss of 6,708 thousand Euro as at 31 December 2014. The increase in shareholders' equity generated from the hedge derivatives as a consequence of the estimated rises in exchange rates would have been 27,260 thousand Euro as at 31 December 2015 and 27,395 thousand Euro as at 31 December 2014. The reduction in shareholders' equity as a consequence of the estimated decreases in exchange rates would have been 33,645 thousand Euro as at 31 December 2015 and 33,157 thousand Euro as at 31 December 2014. The sensitivity analysis carried out as described above and which is significantly influenced by the market volatility levels of exchange rates taken into account, shows a significant impact on the Group shareholders' equity, as a consequence of the possible change in the value of hedge derivatives, which is suspended in the cash flow hedge reserve and whose impact on the income statement will occur in the following years, on the actual occurrence of the forecast sales. 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 individual companies according to efficiency and cost-effectiveness criteria. As at 31 December 2015, committed credit lines with a number of banks were outstanding for a total of 290,868 thousand Euro, of which 267,556 thousand Euro can be used on one or more occasions (revolving credit lines) and 23,312 thousand Euro in the form of long-term loans which can be repaid in full upon expiry (term loans) and uncommitted short-term credit lines relating to the Parent company and some of its subsidiaries for a total of 494,315 thousand Euro.

As at 31 December 2015 the Group had unused committed credit lines (as revolving credit lines or term loans) for 262,311 thousand Euro and uncommitted lines for 375,919 thousand Euro, against gross debt of 146,953 thousand Euro and a net financial debt of 9,760 thousand Euro. As at 31 December 2015 committed credit lines had a maximum residual duration of twenty-four months and a weighted average residual duration of twenty 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 twenty-two months.

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 2014 the Parent company, taking advantage of extremely low market interest rates and particularly favorable credit conditions for the Company, renegotiated almost all the outstanding committed credit lines, and added some new ones, extending the contractual expiry from the usual eighteen months to thirty-six. In addition, two separate term loans have been entered into relating to the subsidiaries Ferragamo Japan KK and Ferragamo Retail India Private Limited, which can be fully repaid upon expiry, with an original contract duration of thirty-six months and a residual duration as at 31 December 2015 of twenty-two and twenty months respectively. Cash surpluses are used with reference banks in short-term (usually between one week and three 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 and neutralizing the risk of capital losses, avoiding speculative transactions.
In seeking ever greater efficiency, also during 2015, 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 reduce average gross bank debt, limit financial charges at a consolidated level and reduce 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 which are close to 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. Thanks to the constant availability of an adequate amount of committed credit lines, the most turbulent market phases and the credit crunch could be faced calmly. 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 2015**
(In thousands of Euro)	**< 3 months**	**3-12 months**	**1-5 years**	**> 5 years**	**Total**
Trade payables	193,189	8,959	-	-	202,148
Payables to banks	92,305	34,278	24,058	-	150,641
Payables to third parties	5,149	-	-	-	5,149
Guarantee deposits	-	-	296	-	296
Derivatives – non-hedge component	47	40	-	-	87
Derivatives – hedge component	3,910	4,859	-	-	8,769
Total	**294,600**	**48,136**	**24,354**	**-**	**367,090**

Liquidity risk – Maturity analysis					**31 December 2014**
(In thousands of Euro)	**< 3 months**	**3-12 months**	**1-5 years**	**> 5 years**	**Total**
Trade payables	173,496	14,059	-	-	187,555
Payables to banks	104,441	19,245	23,096	-	146,782
Payables to third parties	4,118	-	-	-	4,118
Guarantee deposits	43	-	169	-	212
Derivatives – non-hedge component	8	244	-	-	252
Derivatives – hedge component	11,882	12,554	-		24,436
Total	**293,988**	**46,102**	**23,265**	**-**	**363,355**

The analysis carried out on the items relating to financial liabilities showed a concentration of maturities within three months. In 2015, payables to banks over more than twelve months had a maximum residual duration of twenty-two months.
Financial assets recorded in the statement of financial position have a similar residual life.

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 commercial credit risk refers only to wholesale sales and to receivables arising from revenues generated by licensing activities, which together account for around 37% of global turnover: the remaining turnover refers to retail sales with payment usually made in cash or through credit and debit cards. 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 and its past history.

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 financial 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. During 2015, also with the aim of minimizing the counterparty risk, the Group used 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 reduce its average bank debt.

The Group negotiated and entered into master agreements, in accordance with the international standards (ISDA Master Agreement), with all foreign counterparties of derivatives and some Italian ones, 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.

(In thousands of Euro)	**31 December 2015**		**31 December 2014**	
	Current portion	Non current portion	Current portion	Non current portion
Receivables and loans				
Receivables from others (M/L term)	198	1,397	-	595
Trade receivables	167,912	-	150,895	-
Receivables due from credit cards	9,020	-	8,414	-
Cash and cash equivalents	142,121	-	96,463	-
Guarantee deposits	-	16,990	-	15,004
Derivatives	3,709	200	2,854	-
Total	**322,960**	**18,587**	**258,626**	**15,599**

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 2015 and 31 December 2014, and is almost exclusively limited to the current portion. The non current portion refers exclusively to receivables due from Emanuel Ungaro Italia S.r.l. to Ferragamo Parfums S.p.A. in relation to the five-year license contract renegotiated in December 2014 with residual duration of four years and the item 'Guarantee deposits' which mainly includes the cash deposits made by various companies for property lease contracts recognized at nominal value.

Concentration of credit risk by geographic area

(In thousands of Euro)	**31 December 2015**	**%**	**31 December 2014**	**%**
Italy	28,351	16.9%	24,566	16.3%
Europe	30,856	18.4%	26,128	17.3%
North America	27,703	16.5%	24,226	16.1%
Japan	10,425	6.2%	8,414	5.6%
Asia Pacific	59,952	35.7%	58,756	38.9%
Central and South America	10,625	6.3%	8,805	5.8%
Total	**167,912**	**100.0%**	**150,895**	**100.0%**

The table shows the concentration of commercial credit risk by geographic area of the Group activity in the two years under review.

(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 2015	147,996	12,692	4,854	1,437	552	381	167,912
31 December 2014	136,314	8,505	3,534	301	1,484	757	150,895
Figures in % at 31 December 2015	88.1%	7.6%	2.9%	0.9%	0.3%	0.2%	100.0%
Figures in % at 31 December 2014	90.3%	5.6%	2.3%	0.2%	1.0%	0.5%	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 2015 and 31 December 2014.

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	2015	2014
Percentage of revenues with the biggest customer	1.8%	1.7%
Percentage of revenues with the 3 biggest customers	5.1%	4.8%
Percentage of revenues with the 10 biggest customers	11.8%	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 2015 and 2014.

The Group includes under net debt, interest-bearing loans, 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 35).

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 2015	31 December 2014
Interest-bearing loans	146,953	142,414
Other financial payables	5,149	4,118
Trade and other payables	253,647	228,145
Cash and cash equivalents	142,121	96,463
Net debt	**263,628**	**278,214**
Group shareholders' equity	568,412	481,888
Minority interests	44,815	42,004
Shareholders' equity	**613,227**	**523,892**
Shareholders' equity and net debt	**876,855**	**802,106**
Net debt/shareholders' equity	**43.0%**	**53.1%**

4. Business combinations and purchases of minority interests

During 2015 there were no business combinations.

It should be noted that the acquisition of Ma.Ga Immobiliare S.r.l. does not qualify as a business combination, as it does not meet the definition of business provided for by IFRS 3 as an integrated set of activities and assets which can be used to create outputs. As explained above, the acquisition took place for the exclusive purpose of acquiring the plots of land owned by said company. Therefore, the purchase qualifies as an acquisition of assets and results, at the consolidated level, in the allocation to the Group of the price paid for assets and liabilities acquired without giving rise to goodwill. For further information, reference should be made to note 5, “Property, plant and equipment”.

Comments on the main statement of financial position items (assets, shareholders' equity and liabilities)

5. Property, plant and equipment

The breakdown of Property, plant and equipment as at 31 December 2015 and 31 December 2014 is shown in the following table:

(In thousands of Euro)	31 December 2015			31 December 2014		
	Historic Cost	Accumulated depreciation	Net value	Historic Cost	Accumulated depreciation	Net value
Land	29,912	-	29,912	20,010	-	20,010
Buildings	66,306	28,923	37,383	51,624	24,139	27,485
Plant and equipment	26,924	20,345	6,579	22,781	18,347	4,434
Industrial and commercial equipment	106,038	67,487	38,551	93,864	57,011	36,853
Other assets	64,318	45,873	18,445	54,675	38,045	16,630
Leasehold improvements	249,033	151,522	97,511	215,609	125,878	89,731
Fixed assets in progress and payments on account	8,071	-	8,071	16,934	-	16,934
Total	**550,602**	**314,150**	**236,452**	**475,497**	**263,420**	**212,077**

The following tables show the change in property, plant and equipment for the years ended 31 December 2015 and 31 December 2014:

(In thousands of Euro)	Value at 01.01.2015	Translation difference	Additions	Disposals	Depreciation	Reclassifi-cations	Impairment	Value at 31.12.2015
Land	20,010	666	9,236	-	-	-	-	29,912
Buildings	27,485	990	11,868	-	(2,960)	-	-	37,383
Plant and equipment	4,434	8	4,071	-	(1,934)	-	-	6,579
Industrial and commercial equipment	36,853	1,588	14,025	(728)	(11,912)	(1,250)	(25)	38,551
Other assets	16,630	951	8,458	(190)	(7,350)	24	(78)	18,445
Leasehold improvements	89,731	4,881	28,734	(602)	(26,452)	1,226	(7)	97,511
Fixed assets in progress and payments on account	16,934	434	7,526	(16,823)	-	-	-	8,071
Total	**212,077**	**9,518**	**83,918**	**(18,343)**	**(50,608)**	**-**	**(110)**	**236,452**

(In thousands of Euro)	Value at 01.01.2014	Translation difference	Additions	Disposals	Depreciation	Reclassifications	Value at 31.12.2014
Land	18,920	1,090	-	-	-	-	20,010
Buildings	26,088	1,185	2,732	-	(2,520)	-	27,485
Plant and equipment	4,820	11	1,385	(19)	(1,763)	-	4,434
Industrial and commercial equipment	29,405	1,900	16,167	(323)	(9,779)	(517)	36,853
Other assets	14,917	1,132	8,025	(194)	(5,816)	(1,434)	16,630
Leasehold improvements	63,380	6,201	39,358	(1,348)	(20,028)	2,168	89,731
Fixed assets in progress and payments on account	10,868	607	14,402	(8,943)	-	-	16,934
Total	**168,398**	**12,126**	**82,069**	**(10,827)**	**(39,906)**	**217**	**212,077**

The addition:

- in the item "Land" refers to the purchase of building plots and building rights, for the purposes of the construction of a new logistics center at the Osmannoro-Sesto Fiorentino facility of the Parent company Salvatore Ferragamo S.p.A.. The total amount shown refers (i) for 7,100 thousand Euro to the purchase of plots of land from the Holding company Ferragamo Finanziaria S.p.A. (related party); (ii) for 2,061 thousand Euro to the allocation of the price paid for the acquisition of all the stakes in the company Ma.Ga. Immobiliare S.r.l., which took place exclusively in order to acquire its plots of land near the Osmannoro-Sesto Fiorentino facility, which are deemed necessary for the construction of the new logistics center; (iii) for 60 thousand Euro to the purchase of some residual plots of land owned by the Municipality of Sesto Fiorentino; and (iv) for 15 thousand Euro to the relevant ancillary charges;

- in the item "Buildings" mainly refers to the completion on behalf of the Parent company of a new building in the facility at Osmannoro-Sesto Fiorentino following the plan to renovate the whole facility which has been initiated in 2013 and was still underway as at 31 December 2015 and, to a lesser extent, to improvements to the property owned in the USA and South Korea.
- in "Industrial and commercial equipment" mainly refers to the opening and renovation of stores (12,814 thousand Euro) and the purchase of equipment and moulds (1,211 thousand Euro) for the fragrances product category;
- in "Other assets" mainly refers to IT equipment (2,635 thousand Euro) and furniture and furnishings (5,457 thousand Euro);
- in "Leasehold improvements" refers mainly to work carried out for the opening or refurbishment of stores.

Disposals mainly refer to assets 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.

Impairment amounting to 110 thousand Euro in "Industrial and commercial equipment", "Other assets" and "Leasehold improvements" refers to the tangible assets of some stores in relation to their renovation and/or closure.

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

6. Investment property

The breakdown of the item as at 31 December 2015 and 31 December 2014 is set out in the following table:

(In thousands of Euro)	**31 December 2015**			**31 December 2014**		
	Historic Cost	**Accumulated depreciation**	**Net value**	**Historic Cost**	**Accumulated depreciation**	**Net value**
Land	5,141	-	5,141	4,610	-	4,610
Buildings	12,109	9,780	2,329	10,858	8,453	2,405
Total	**17,250**	**9,780**	**7,470**	**15,468**	**8,453**	**7,015**

Investment property refers entirely to the buildings located in the United States.

The following tables show the change in investment property for the years ended 31 December 2015 and 31 December 2014:

(In thousands of Euro)	**Value at 01.01.2015**	**Translation difference**	**Additions**	**Depreciation**	**Value at 31.12.2015**
Land	4,610	531	-	-	5,141
Buildings	2,405	271	-	(347)	2,329
Total	**7,015**	**802**	**-**	**(347)**	**7,470**

(In thousands of Euro)	**Value at 01.01.2014**	**Translation difference**	**Additions**	**Depreciation**	**Value at 31.12.2014**
Land	4,059	551	-	-	4,610
Buildings	2,396	299	-	(290)	2,405
Total	**6,455**	**850**	**-**	**(290)**	**7,015**

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.

7. Intangible assets with a finite useful life

The breakdown of intangible assets with a finite useful life as at 31 December 2015 and 31 December 2014 is shown in the following table:

(In thousands of Euro)	31 December 2015			31 December 2014		
	Historic Cost	Accumulated amortization	Net value	Historic Cost	Accumulated amortization	Net value
Industrial patents and use of intellectual property rights	24,286	19,609	4,677	20,375	17,009	3,366
Concessions, licenses and trademarks	8,310	6,493	1,817	7,812	6,147	1,665
Development costs	27,525	14,617	12,908	20,780	10,294	10,486
Others	29,311	19,977	9,334	26,450	18,059	8,391
Intangible assets with a finite useful life in progress	4,860	-	4,860	5,312	-	5,312
Total	**94,292**	**60,696**	**33,596**	**80,729**	**51,509**	**29,220**

The following tables show the changes in intangible assets with a finite useful life for the years ended 31 December 2015 and 31 December 2014:

(In thousands of Euro)	Value at 01.01.2015	Translation difference	Additions	Disposals	Amortization	Value at 31.12.2015
Industrial patents and use of intellectual property rights	3,366	114	3,517	(4)	(2,316)	4,677
Concessions, licenses and trademarks	1,665	-	498	-	(346)	1,817
Development costs	10,486	-	6,745	-	(4,323)	12,908
Others	8,391	29	2,629	(25)	(1,690)	9,334
Intangible assets with a finite useful life in progress	5,312	77	4,157	(4,686)	-	4,860
Total	**29,220**	**220**	**17,546**	**(4,715)**	**(8,675)**	**33,596**

(In thousands of Euro)	Value at 01.01.2014	Translation difference	Additions	Disposals	Amortization	Reclassifications	Value at 31.12.2014
Industrial patents and use of intellectual property rights	3,074	83	1,963	(9)	(1,751)	6	3,366
Concessions, licenses and trademarks	1,626	-	371	-	(332)	-	1,665
Development costs	10,591	-	3,394	-	(3,499)	-	10,486
Others	9,311	558	270	(8)	(1,740)	-	8,391
Intangible assets with a finite useful life in progress	1,488	77	5,179	(1,432)	-	-	5,312
Total	**26,090**	**718**	**11,177**	**(1,449)**	**(7,322)**	**6**	**29,220**

Intangible assets with a finite useful life rose in 2015 mainly due to new investment in software development costs (item “Development costs”), software license costs (item “Industrial patents and use of intellectual property rights”) and key money paid during the year due to the opening of new stores in Europe (included in the item “Others”), net of the amortization for the period.

The item “Development costs” mainly includes software development costs relating to the capitalization of expenses for the development of business software applications (SAP accounting system, ERP, reporting systems, and the e-commerce platform).

The item “Others” refers mainly to 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 2015 and 31 December 2014:

(In thousands of Euro)	**31 December 2015**	**31 December 2014**
Europe	4,253	2,236
North America	2,075	2,143
Asia Pacific	268	320
Central and South America	1,021	2,006
Total	**7,617**	**6,705**

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, while internal sources are corporate strategies which can change the use of intellectual property and software. 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.
From the analyses carried out no need emerged to record any impairment on this item.

8. Available-for-sale financial assets

The breakdown and changes of the item "Available-for-sale financial assets" as at 31 December 2015 and 31 December 2014 is set out in the following table:

(In thousands of Euro)	**% investment**	**Value at 01.01.2015**	**Translation difference**	**Disposals**	**Value at 31.12.2015**
Polimoda Consulting S.r.l. in liquidation	0.82%	20	-	-	20
Other assets		5	-	(5)	-
Total		**25**	**-**	**(5)**	**20**

Polimoda Consulting S.r.l. was placed in liquidation and the relevant deed was filed on 6 December 2013.

9. Other non current assets

The breakdown of the item "Other non current assets" as at 31 December 2015 and 31 December 2014 is set out in the following table:

(In thousands of Euro)	**31 December 2015**	**31 December 2014**	**Change 2015 vs. 2014**
Advances to suppliers	1,397	595	802
Other non current assets	6,056	6,088	(32)
Total	**7,453**	**6,683**	**770**

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 new license contract which was renegotiated and entered into in December 2014. These advances are recovered with the accrual of royalties.
The item "Other non current assets" mainly includes the impact relating to the straight line charging of rental income from investment property in the USA, as provided for by the relevant standards (straight lining).

10. Other non current financial assets

As at 31 December 2015 "Other non current financial assets" include guarantee deposits mainly for lease contracts (16,674 thousand Euro) and increased by 2,006 thousand Euro compared to 31 December 2014. The item includes, in the amount of 200 thousand Euro, the fair value measurement of the non-current portion of derivatives (non-hedge component).

11. Inventories

Inventories refer to the following categories:

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Gross value of raw materials, accessories and consumables	58,709	55,246	3,463
Provision for obsolete inventory	(7,991)	(7,519)	(472)
Raw materials, accessories and consumables	**50,718**	**47,727**	**2,991**
Gross value of finished products and goods for resale	340,199	321,506	18,693
Provision for obsolete inventory	(39,785)	(30,678)	(9,107)
Finished products and goods for resale	**300,414**	**290,828**	**9,586**
Total	**351,132**	**338,555**	**12,577**

The change in raw materials compared to 2014 depends on production volumes for the period; the relevant provision reflects the obsolescence of raw materials (leather and accessories) which are no longer suitable for the production plans. The change in stocks of finished products is due both to the increase in sales volumes and the opening of new stores and it was a net increase of 9,586 thousand Euro.

Net (uses) of and/or allocations to the provision for obsolete inventory were as follows:

(In thousands of Euro)	2015	2014	Change 2015 vs. 2014
Raw materials	472	(1,286)	1,758
Finished products	7,731	5,152	2,579
Total	**8,203**	**3,866**	**4,337**

12. Trade receivables

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

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Trade receivables	173,778	157,509	16,269
Provision for bad debt	(5,866)	(6,614)	748
Total	**167,912**	**150,895**	**17,017**

Trade receivables mainly refer to wholesale sales and are due for around 24,954 thousand Euro to fragrances and, for the remainder, to other product categories. They are interest-free and are generally due in 90 days or less. The related provision for bad debt is considered adequate to meet any cases of insolvency. Despite the increase in trade receivables primarily related to the expansion of the wholesale channel, there was a decrease in the provision for bad debt compared to 31 December 2014, due in part to the use of the provision for the write-off of bad debt and partly to a reduction in the provision by rounding up the amount as a result of the improvement in credit relationships with those customers operating in areas of the European market subject to tensions (Ukraine, Russia and Greece), which had led to the sharp increase in the provision in the previous year (+39.2% in 2014 compared to 2013).

The changes in the provision for bad debt during 2015 were as follows:

(In thousands of Euro)	Value at 01.01.2015	Translation difference	Allocations	Uses	Value at 31.12.2015
Provision for bad debt	**6,614**	(7)	115	(856)	**5,866**

For an analysis of past due but not impaired trade receivables reference should be made to the section “Management of financial risks – Credit risk”.

13. Tax receivables

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

(In thousands of Euro)	**31 December 2015**	**31 December 2014**	**Change 2015 vs. 2014**
Due from tax authorities (value added tax and other taxes)	8,449	6,814	1,635
Due from tax authorities for income taxes	10,648	6,447	4,201
Withholding taxes	26	227	(201)
Total	**19,123**	**13,488**	**5,635**

Tax receivables rose by 5,635 thousand Euro compared to the prior year and mainly refer to VAT receivables and amounts due from tax authorities for income taxes relating to advances paid during the year and amounts exceeding the debt as at 31 December 2015 for direct income taxes.

14. Other current assets

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

(In thousands of Euro)	**31 December 2015**	**31 December 2014**	**Change 2015 vs. 2014**
Other receivables	15,959	14,318	1,641
Accrued income	41	3	38
Prepaid expenses	14,421	17,859	(3,438)
Other receivables for short-term hedge derivatives	3,418	1,878	1,540
Total	**33,839**	**34,058**	**(219)**

As at 31 December 2015 other receivables mainly include:

- receivables due from credit card management companies for retail sales amounting to 9,020 thousand Euro (8,414 thousand Euro as at 31 December 2014);
- receivables due from the Holding company Ferragamo Finanziaria S.p.A. for 2,420 thousand Euro (2,025 thousand Euro as at 31 December 2014) of which 395 thousand Euro concerning the domestic fiscal unity relating to 2015 and 2,025 thousand Euro concerning receivables in relation to the income tax (IRES) refund claim (online request sent on 5 February 2013) for the deduction of the regional manufacturing tax (IRAP) in relation to personnel costs from 2007 to 2011, which were recognized in 2012.
- advances to suppliers amounting to 2,477 thousand Euro (880 thousand Euro as at 31 December 2014).

Prepaid expenses mainly include contributions to customers for 8,223 thousand Euro, rents for 2,447 thousand Euro and insurance premiums for 611 thousand Euro.

“Other receivables for short-term hedge derivatives” amounting to 3,418 thousand Euro (1,878 thousand Euro as at 31 December 2014) refer to the fair value assessment of outstanding derivative contracts (hedge component) entered into by the Parent company to manage exchange rate risk on sales in currencies other than the Euro.

15. Other current financial assets

“Other current financial assets” totaled 291 thousand Euro as at 31 December 2015 and referred to the fair value measurement of derivatives for the non-hedge component (976 thousand Euro as at 31 December 2014).

16. Cash and cash equivalents

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

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Time deposits	6,753	12,212	(5,459)
Bank and post office sight deposits	134,349	83,178	51,171
Cash and values on hand	1,019	1,073	(54)
Total	**142,121**	**96,463**	**45,658**

Time deposits at banks expire in no more than 90 days. Bank and post office deposits refer to temporary cash holdings mainly to meet imminent payments.
Also during 2015, the Group used 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 reduce its average bank debt.
As at 31 December 2015 the Group had unused credit lines for 638,230 thousand Euro; as at 31 December 2014, unused credit lines totaled 650,791 thousand Euro.

For the purposes of the consolidated statement of cash flows, the item “Cash and cash equivalents” as at 31 December 2015 and 31 December 2014 was broken down as follows:

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Cash and bank sight deposits	135,368	84,251	51,117
Time deposits	6,753	12,212	(5,459)
Bank overdrafts	-	(8)	8
Total	**142,121**	**96,455**	**45,666**

17. Share capital and reserves

The share capital of the Parent Company as at 31 December 2015 (wholly subscribed and paid up) amounted to 16,879,000 Euro and consisted of 168,790,000 ordinary shares with a nominal value of 0.10 Euro each. It should be noted that on 3 June 2015, the share capital increased by 38,000 Euro with the issue of 380,000 ordinary shares with a nominal value of 0.10 Euro each as a consequence of the resolution of the Board of Directors of Salvatore Ferragamo S.p.A. of 13 May 2015 which implemented the free share capital increase through the charging to capital of 38,000 Euro taken from the “Specific reserve for share capital increase to serve the 2012 Stock Grant Plan”. For details reference should be made to the section “Significant events occurred during the year” and note 35 herein.

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 demerger.

The legal reserve of 4,188 thousand Euro was set up in previous years and refers entirely to the Parent company. Italian law requires that 5% of net profit for the year is allocated to the legal reserve, until this reaches 20% of the share capital. This reserve cannot be distributed.

The extraordinary reserve, of 191,676 thousand Euro, which refers entirely to the Parent company, was set up with retained earnings; the increase recorded in the period refers for 36,444 thousand Euro to the net profit for 2014, net of the distribution of dividends of 70,732 thousand Euro which were approved during 2015, and for 12 thousand Euro to the reclassification of the unused residual amount of the “Specific reserve for share capital increase to serve the 2012 Stock Grant Plan”, with the consequent cancellation of the aforementioned reserve of an original amount of 50,000 Euro, which was set up in 2012.

The cash flow hedge reserve was negative for 4,486 thousand Euro and is the result of the valuation of the financial instruments defined as cash flow hedges as at 31 December 2015, given the hedges against exchange rate risk, and is shown net of the tax effect.

The translation reserve, negative for 15,208 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 182,959 thousand Euro include profits/losses capitalized during the years, taking due account of consolidation adjustments, in particular unrealized profit on inventories. This reserve, during 2015, was affected by the joint impact of several factors. On the one hand, it rose by 120,121 thousand Euro due to the capitalization of the net profit for 2014, net of the Parent company's profit which was allocated to the extraordinary reserve; in addition, it rose by 5,037 thousand Euro for the transfer from "Other Reserves" of the Stock Grant Reserve, due to the impact of the 2012 Stock Grant Plan which expired at the end of 2015. On the other hand, the reserve fell by 70,732 thousand Euro due to the dividends distributed by the Parent company during 2015; by 222 thousand Euro due to the effect in the period of the recognition of the put and call agreements on minority interests already existing (note 36); by 1,106 thousand Euro due to other minor translation effects.

The items "Other reserves" and "Effect IAS 19 equity" (net total of 12,190 thousand Euro) include as at 31 December 2015 the values recorded for the valuation differences required by IFRS compared to the local standards of Group companies. This item decreased by 50 thousand Euro following the cancellation of the "Specific reserve for share capital increase to serve the 2012 Stock Grant Plan", by 5,037 thousand Euro (of which 786 thousand Euro accrued during the year) following the transfer to retained earnings of the Stock Grant Reserve and by 44 thousand Euro due to net impact on shareholders' equity of the actuarial valuation of defined-benefit plans for employees.

The amounts are net of the tax effects where applicable.

The changes in shareholders' equity items occurred in 2015 and 2014 are shown in the related statements.
Here below is a breakdown of reserves and retained earnings:

(In thousands of Euro)	**Reserves made up of profits**	**Translation reserve**	**Other reserves**	**Total**
31 December 2015				
Share capital contributions	-	-	2,995	2,995
Legal reserve	4,188	-	-	4,188
Extraordinary reserve	191,676	-	-	191,676
Cash flow hedge reserve	-	-	(4,486)	(4,486)
Translation reserve	-	(15,208)	-	(15,208)
Retained earnings	182,959	-	-	182,959
Other reserves	-	-	12,190	12,190
Total	**378,823**	**(15,208)**	**10,699**	**374,314**
31 December 2014				
Share capital contributions	-	-	2,995	2,995
Legal reserve	4,188	-	-	4,188
Extraordinary reserve	155,220	-	-	155,220
Cash flow hedge reserve	-	-	(15,698)	(15,698)
Translation reserve	-	(317)	-	(317)
Retained earnings	129,861	-	-	129,861
Other reserves	-	-	16,535	16,535
Total	**289,269**	**(317)**	**3,832**	**292,784**

18. Provisions for risks and charges

The breakdown and changes in the item are provided in the following table:

(In thousands of Euro)	**Value at 01.01.2015**	**Translation difference**	**Additions**	**Uses**	**Value at 31.12.2015**
Legal disputes	942	2	209	(494)	659
Other	6,164	346	1,070	(214)	7,366
Total	**7,106**	**348**	**1,279**	**(708)**	**8,025**

Legal disputes mainly refer 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 could have to disburse for out-of-court settlements.
The use of the provision for legal disputes mainly refers to the positive settlement of a number of labor proceedings and/or disputes during the year.

The provision for other risks mainly includes allocations against likely future costs; the main allocation concerns future expenses for the restoration of premises leased by third parties (5,364 thousand Euro); in addition, it includes the additional allowance set aside by Ferragamo Parfums S.p.A. for agents operating in Italy. The additions for the period refer for 711 thousand Euro to future costs to restore premises leased by third parties.

19. Employee benefit liabilities

The following table shows the breakdown of employee benefits as at 31 December 2015 and 31 December 2014:

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Employee defined benefit liabilities	11,532	11,490	42
Other employee benefit liabilities	132	93	39
Total	**11,664**	**11,583**	**81**

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 2015 and 2014:

(In thousands of Euro)	2015			2014		
	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	**14,422**	**(2,932)**	**11,490**	**12,694**	**(2,649)**	**10,045**
Current Service Cost	446	-	**446**	465	-	**465**
Financial charges/(income)	264	(51)	**213**	362	(56)	**306**
Changes included in net profit/(loss) for the period	***710***	***(51)***	***659***	***827***	***(56)***	***771***
Returns on plan assets	-	70	**70**	-	34	**34**
Actuarial loss/(gain) arising from:						
- financial assumptions	(37)	-	**(37)**	1,130	-	**1,130**
- demographic assumptions	(67)	-	**(67)**	(7)	-	**(7)**
- experience-based adjustments	(73)	-	**(73)**	(63)	-	**(63)**
Translation differences	585	(321)	**264**	311	(103)	**208**
Changes included in other comprehensive income items	***408***	***(251)***	***157***	***1,371***	***(69)***	***1,302***
Contributions paid by the employer	-	(426)	**(426)**	-	(341)	**(341)**
Benefits paid	(502)	154	**(348)**	(446)	183	**(263)**
Reclassifications	-	-	**-**	(24)	-	**(24)**
Other changes	***(502)***	***(272)***	***(774)***	***(470)***	***(158)***	***(628)***
Value at the end of the period	**15,038**	**(3,506)**	**11,532**	**14,422**	**(2,932)**	**11,490**

Employee defined benefit liabilities of the Group's Italian companies (the Parent company and Ferragamo Parfums S.p.A.) amounted to 8,627 thousand Euro, down by 427 thousand Euro compared to 31 December 2014.

Here below are the main financial assumptions used in determining the present value of employee severance indemnities:

	31 December 2015	31 December 2014
Annual rate of salary increase	3.87%	3.97%
Annual discount rate	1.53%	1.24%
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 while the staff turnover rate has been estimated at 5.84% 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 2,905 thousand Euro, up by 469 thousand Euro compared to 31 December 2014. 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 2015	31 December 2014
Annual rate of salary increase	2.0% - 5.25%	2.0% - 5.5%
Annual discount rate	0.48% - 8.08%	0.47% - 8.0%

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 2015 and 31 December 2014 concerning employee benefit obligations of Italian companies, which have the highest impact on total defined benefit obligations:

(In thousands of Euro)		**2015**		**2014**	
	% change	Additions	Disposals	Additions	Disposals
Annual rate of salary increase	+/- 0.5%	22	(21)	24	(23)
Annual discount rate	+/- 0.5%	(401)	434	(470)	512
Mortality rate	+/- 0.025%	(2)	2	(2)	3
Staff turnover rate	+/- 0.5%	(32)	34	(48)	52

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)	**2015**	**2014**
Top managers, middle managers and store managers	682.48	641.60
White collars	2,791.12	2,636.17
Blue collars	250.05	231.78
Temporary Agency staff	184.80	254.24
Total	**3,908.45**	**3,763.79**

The net increases are mainly due to the staff required by the expansion of the retail sales network.

20. Other non current liabilities

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

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Payables for deferred rents	55,091	48,455	6,636
Other payables	296	303	(7)
Total	**55,387**	**48,758**	**6,629**

Payables for deferred rents mainly refer to the straight lining of rents over the contract period for the property leased in the United States (46,847 thousand Euro), including the building on Fifth Avenue, next to the building owned by the Company, where a significant part of the New York store is located, and in other countries in which the Group operates.

As at 31 December 2015 the item “Other payables” refers mainly to guarantee deposits received for lease contracts.

21. Trade payables

The breakdown of trade payables was as follows:

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Trade payables	201,243	186,866	14,377
Advances from customers	905	689	216
Total	**202,148**	**187,555**	**14,593**

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 in outsourcing.

22. Interest-bearing loans & borrowings

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

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Medium/long-term financial payables to banks	23,312	21,331	1,981
Short-term financial payables to banks	123,641	121,075	2,566
Bank overdrafts	-	8	(8)
Total	**146,953**	**142,414**	**4,539**

The Group’s financial requirements are covered by short-term and medium/long-term payables relating to short- and medium/long-term bank credit lines. During 2015 the Group used a considerable part of its cash surplus to take out intercompany loans, regulated at current market conditions, so as to reduce its average bank debt. During 2014 the Parent company, taking advantage of particularly favorable market interest rates and credit conditions for the Company, renegotiated almost all the outstanding committed credit lines, and added some new ones, extending the contractual expiry from the usual eighteen months to thirty-six. In addition, two separate term loans were entered into relating to the subsidiaries Ferragamo Japan KK and Ferragamo Retail India Private Limited, which can be fully repaid upon expiry, with an original contract duration of thirty-six months and a residual duration as at 31 December 2015 of twenty-two and twenty months respectively. 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 lasting more than one year, the market interest rate can be reviewed on a quarterly or annual basis.
Uses range from a few days to a maximum of twenty-two months. The margins applied are in line with the best market standards. Fees due for unused credit lines are negligible.

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) committed, short- and medium/long-term credit lines (revolving credit lines or term loans), negotiated on a bilateral basis by the Parent company; some of these revolving lines can be used by a number of borrowers in their own accounting currency which may be different from the Euro (the so-called multiborrower and/or multicurrency credit lines).

As at 31 December 2015 committed credit lines had a maximum residual duration of twenty-four months and a weighted average residual duration of twenty months. The credit lines and the related financial business are spread among leading national and international banks. At the date of this Report there were no outstanding uses of lines over more than twenty-two months.

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:

(In thousands of Euro)	**31 December 2015**		**31 December 2014**	
	Agreed	**Used**	**Agreed**	**Used**
Committed credit lines	290,868	28,557	311,099	28,140
Revolving credit lines	*267,556*	*5,245*	*289,768*	*6,809*
Term loans	*23,312*	*23,312*	*21,331*	*21,331*
Uncommitted credit lines	494,315	118,396	482,106	114,274
Total	**785,183**	**146,953**	**793,205**	**142,414**

The following table provides the breakdown and changes in the net financial position as at 31 December 2015 and 31 December 2014, restated in accordance with the model included in CONSOB Communication no. DEM/6064293 of 28 July 2006.

(In thousands of Euro)	**31 December 2015**	**31 December 2014**	**Change 2015 vs. 2014**
A. Cash	1,019	1,073	(54)
B. Other cash equivalents	141,102	95,390	45,712
C. Cash and cash equivalents (A)+(B)	**142,121**	**96,463**	**45,658**
Derivatives – non-hedge component	291	976	(685)
Other financial assets	-	-	-
D. Current financial receivables	**291**	**976**	**(685)**
E. Current bank payables	123,641	121,083	2,558
F. Derivatives – non-hedge component	70	260	(190)
G. Other current financial payables	5,149	4,118	1,031
H. Current financial debt (E)+(F)+(G)	**128,860**	**125,461**	**3,399**
I. Current financial debt, net (H)-(C)-(D)	**(13,552)**	**28,022**	**(41,574)**
J. Non current bank payables	23,312	21,331	1,981
K. Derivatives – non-hedge component	-	-	-
M. Other non current payables	-	-	-
N. Non current financial debt (J)+(K)+(M)	**23,312**	**21,331**	**1,981**
O. Net financial debt (I)+(N)	**9,760**	**49,353**	**(39,593)**

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.
Financial covenants are included only in some local loan contracts entered into by companies with minority interests, even though they are uncommitted credit lines.
As at 31 December 2015 the financial and non-financial covenants were complied with by all the companies involved.

23. Tax payables

As at 31 December 2015 tax payables amounted to 22,648 thousand Euro (21,528 thousand Euro as at 31 December 2014) and concerned payables for income taxes pertaining to the period and other taxes due by Group companies. The net increase of 1,120 thousand Euro compared to 31 December 2014 is mainly attributable to amounts due for income taxes, net of advances paid during the year, and withholding taxes paid by the companies as substitute taxes and payable to the Italian Inland Revenue Office.

24. Other current liabilities

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

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Other payables	40,986	28,174	12,812
Payables to social security institutions	5,545	5,404	141
Accrued expenses	2,603	4,655	(2,052)
Deferred income	2,365	2,357	8
Other payables for hedge derivatives	7,613	23,120	(15,507)
Total	**59,112**	**63,710**	**(4,598)**

The item “Other payables” mainly includes the Group’s payables to employees for amounts accrued but not yet paid at the reporting date, payables to the Holding company Ferragamo Finanziaria S.p.A. for 16,772 thousand Euro as part of the domestic fiscal unity for 2015; in addition, it includes payables to suppliers and service providers which had not been invoiced at the reporting date.
The item “Payables to social security institutions” refers to payables paid in the month after the reporting period and relating to amounts due to employees. The item “Other payables for hedge derivatives” shows the fair value valuation at the end of the year of outstanding derivatives (hedge component) entered into by the Parent company to manage exchange rate risk. For further details, reference should be made to note 26.

25. 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 2015	31 December 2014	Change 2015 vs. 2014
Short-term derivatives	70	260	(190)
Other current financial payables	5,149	4,118	1,031
Total	**5,219**	**4,378**	**841**

The item “Other current financial payables” as at 31 December 2015 includes:

- the put option (4,167 thousand Euro) 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 is valued in compliance with the conditions set out in the shareholders’ agreement signed by the parties. This put option was recognized under Group shareholders’ equity after eliminating minority interests. As at 31 December 2014 this item amounted to 3,295 thousand Euro.
- 982 thousand Euro for payables to the minority shareholders of Ferragamo Retail India Private Limited. As at 31 December 2014 this item amounted to 823 thousand Euro.

On each reporting date any value adjustments to the put options will be recorded directly under shareholders' equity.
The item “Short-term derivatives” mainly refers to the fair value of financial derivatives with a negative mark to market at the reporting date. For further details reference should be made to note 26 below.

26. Financial instruments and fair value measurement

The classification of financial instruments under IAS 39 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 2015 and 31 December 2014.

Classification of financial instruments and presentation of their fair value

FINANCIAL ASSETS	**31 December 2015**			**31 December 2014**		
	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-hedge component	291	200	491	976	-	976
Available-for-sale financial assets	-	20	20	-	25	25
Receivables and loans						
Receivables from others (M/L term)	198	1,397	1,589	-	595	590
Receivables due from credit cards	9,020	-	9,020	8,414	-	8,414
Trade receivables	167,912	-	167,912	150,895	-	150,895
Guarantee deposits	-	16,674	16,674	-	14,668	14,668
Cash and cash equivalents	142,121	-	142,121	96,463	-	96,463
Derivatives – hedge component	3,418	-	3,418	1,878	-	1,878
Total	**322,960**	**18,291**	**341,245**	**258,626**	**15,288**	**273,909**

FINANCIAL LIABILITIES	**31 December 2015**			**31 December 2014**		
	Book value		**Fair Value**	**Book value**		**Fair Value**
(In thousands of Euro)	*Current portion*	*Non current portion*		*Current portion*	*Non current portion*	
Liabilities at amortized cost						
Trade payables and payments on account	202,148	-	202,148	187,555	-	187,555
Payables to banks and other financial payables	128,790	23,312	152,102	125,201	21,331	146,532
Guarantee deposits	-	296	296	43	169	212
Financial liabilities at fair value through profit or loss						
Derivatives – non-hedge component	70	-	70	260	-	260
Derivatives – hedge component	7,613	-	7,613	23,120	-	23,120
Total	**338,621**	**23,608**	**362,229**	**336,179**	**21,500**	**357,679**

The table shows that most outstanding financial assets and liabilities refer to short-term financial items; 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 operators or prices collected on active markets through leading info-providers.
To determine the fair value of derivatives a pricing model is used based on market interest rate values and exchange rates at the valuation date.
For receivables from others (M/L term), which include receivables due from Emanuel Ungaro Italia S.r.l. to Ferragamo Parfums S.p.A. (renegotiated in 2014, with a five-year maturity and a residual duration of four years), the fair value is calculated by discounting the nominal value at market IRS rates listed for individual annual maturities in accordance with the discounted cash flow method. Also for "Guarantee deposits" the book value is a reasonable approximation of the fair value. Available-for-sale financial assets are measured at cost because their fair value cannot be reliably established.
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 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 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.

(In thousands of Euro)	**31 December 2015**	**31 December 2014**
Net gains/(losses) on financial instruments recognized in profit or loss:		
Financial assets/liabilities held for trading	(12,245)	(8,390)
Derivatives – hedge component	(50,920)	13,862
Net gains/(losses) on financial instruments recognized in shareholders' equity:		
Derivatives – hedge component	15,465	(40,096)
Interest income/expense (calculated using the internal rate of return method) accrued on financial assets/liabilities not at FVTPL		
Interest income	552	384
Interest expense	6,096	4,881
Expenses and fees not included in the effective interest rate		
regarding financial liabilities	614	782
Interest income accrued on financial instruments written-off	-	-
Provisions for impairment on financial assets		
Receivables/loans	115	2,166

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 2015 and 2014.

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 2015 and 2014.

27. Revenues

In the years ended 31 December 2015 and 31 December 2014 revenues totaled 1,430,039 thousand Euro and 1,331,822 thousand Euro respectively and can be broken down as shown in the following table:

(In thousands of Euro)	2015	2014	Change 2015 vs. 2014
Retail revenues	892,041	833,101	58,940
Wholesale revenues	513,582	478,425	35,157
Licenses and services	11,540	9,375	2,165
Rental income investment properties	12,876	10,921	1,955
Total	**1,430,039**	**1,331,822**	**98,217**

The item "Licenses and services" includes royalties deriving from the license contract with the Marchon Group for the production and distribution of glasses and with the Timex Group for the production and distribution of watches ("Ferragamo" brand).
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.

28. Cost of goods sold and operating costs

Cost of goods sold and operating costs in the years ended 31 December 2015 and 31 December 2014 were 1,180,383 thousand Euro and 1,097,287 thousand Euro respectively and were classified by function as follows:

(In thousands of Euro)	2015	2014	Change 2015 vs. 2014
Cost of goods sold	481,961	483,389	(1,428)
Style, product development and logistics costs	43,839	43,491	348
Sales & distribution costs	455,452	388,308	67,144
Marketing & communication costs	72,471	68,047	4,424
General and administrative costs	109,159	97,631	11,528
Other operating costs	17,501	16,421	1,080
Total	**1,180,383**	**1,097,287**	**83,096**

Costs rose by 7.6% compared to 2014 due to the growth in turnover which rose by 7.4% in 2014.

29. 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)	2015	2014	Change 2015 vs. 2014
Raw materials, finished products and consumables used	270,899	277,611	(6,712)
Costs for services	623,312	569,382	53,930
Personnel costs	208,931	186,355	22,576
Amortization and depreciation	59,630	47,518	12,112
Write-downs of tangible/intangible assets	110	-	110
Other charges	17,501	16,421	1,080
Total	**1,180,383**	**1,097,287**	**83,096**

30. Other income and revenues

Other income and revenues amounted to 14,944 thousand Euro, up by 4,063 thousand Euro compared to 31 December 2014, mainly due to insurance refunds during the year in compensation for the damage suffered, in particular the damage suffered in the fire at the Leonardo Da Vinci international airport in Rome-Fiumicino (terminals H and D) where there were two directly operated stores in the Ferragamo retail network.

31. Financial operations

Financial operations are broken down as follows:

(In thousands of Euro) Financial charges	2015	2014	Change 2015 vs. 2014
Interest expense	5,498	4,485	1,013
Discount charges and other financial charges	2,257	2,246	11
Losses on exchange rate differences	26,170	11,149	15,021
Financial charges for fair value adjustment of derivatives	19,027	11,937	7,090
Total	**52,952**	**29,817**	**23,135**

(In thousands of Euro) Financial income	2015	2014	Change 2015 vs. 2014
Gains on disposal of investments to third parties	1	-	1
Interest income	484	272	212
Other financial income	68	112	(44)
Gains on exchange rate differences	32,400	18,450	13,950
Financial income for fair value adjustment of derivatives	6,782	3,547	3,235
Total	**39,735**	**22,381**	**17,354**

Interest expense derives mainly from short-term bank loans and, to a lesser extent, from 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.
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, both at intercompany level and to third parties. During 2015 net exchange rate gains amounted to 6,230 thousand Euro compared to net exchange rate gains of 7,301 thousand Euro in 2014.
Net 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.
The item "Gains on disposal of investments to third parties" refers to the gain on the sale by the subsidiary Ferragamo Japan K.K. of a residual investment, which was recorded at 31 December 2014 under available-for-sale financial assets for a book value of 5 thousand Euro and which is no longer of interest to the Group.

32. Income taxes

The taxes recorded in the income statement were as follows:

(In thousands of Euro)	2015	2014	Change 2015 vs. 2014
Current taxes	(91,088)	(79,771)	(11,317)
Deferred taxes	14,155	5,306	8,849
Total	**(76,933)**	**(74,465)**	**(2,468)**

Deferred taxes include the use in the year of deferred tax assets on previous tax losses totaling 671 thousand Euro.

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 2015 and 31 December 2014.

(In thousands of Euro)	31 December 2015	31 December 2014	31 December 2015	31 December 2014	2015	2014
	Statement of financial position		Shareholders' equity		Income statement	
Deferred tax assets						
- on employee benefits	1,789	1,709	825	979	125	(19)
- on tangible assets	4,263	3,427	-	-	1,067	(1,427)
- on intangible assets	1,039	1,075	-	-	(36)	117
- on the cash flow hedge reserve/derivative contracts IAS 39	554	3,814	1,702	5,955	993	(2,141)
- on the valuation of inventories	13,257	10,456	-		2,260	950
- on the elimination of the profit unrealized in inventories	56,657	47,743	-	-	8,914	7,689
- on tax losses	4,344	4,961	-	-	(671)	559
- on taxed provisions	4,234	4,029	-	-	(55)	908
- for other temporary differences	21,401	18,060	-	-	1,572	661
Deferred tax assets	**107,538**	**95,274**	**2,527**	**6,934**	**14,169**	**7,297**
Deferred tax liabilities						
- on employee benefits	(45)	(45)	-	-	-	23
- on tangible assets	(547)	(904)	-	-	60	51
- on the cash flow hedge reserve/derivative contracts IAS 39	-	-	-	-	-	(1,573)
- on the valuation of inventories	(1,773)	(1,634)	-	-	(113)	(337)
- for other temporary differences	(1,559)	(1,588)	-	-	39	(155)
Deferred tax liabilities	**(3,924)**	**(4,171)**	**-**	**-**	**(14)**	**(1,991)**
Net effect	**103,614**	**91,103**	**2,527**	**6,934**	**14,155**	**5,306**

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 receivables for deferred taxes was duly adjusted to take account of the effective collectability of receivables.

Deferred tax assets on previous tax losses as at 31 December 2015 and 31 December 2014 were as follows:

(In thousands of Euro)	31 December 2015		
Expiry	**Previous tax losses**	**Tax rate**	**Deferred tax assets**
Without time limits	10,924	30.00%	3,277
1 to 3 years	886	25.00%	222
3 to 5 years	3,379	25.00%	845
Total	**15,189**	**28.60%**	**4,344**

(In thousands of Euro)	31 December 2014		
Expiry	**Previous tax losses**	**Tax rate**	**Deferred tax assets**
Without time limits	12,169	30.00%	3,650
Within 1 year	53	25.00%	13
1 to 3 years	1,164	25.00%	291
3 to 5 years	3,869	25.00%	967
Over 5 years	160	25.00%	40
Total	**17,415**	**28.49%**	**4,961**

Tax losses of Group companies as at 31 December 2015 and 31 December 2014 on which deferred tax assets have not been calculated and the related expiries are shown in the following table:

(In thousands of Euro)	**Expiry**				
31 December 2015	**Without time limits**	**Within 1 year**	**1 to 3 years**	**3 to 5 years**	**over 5 years**
46,316	32,609	92	1,636	7,605	4,374

(In thousands of Euro)	**Expiry**				
31 December 2014	**Without time limits**	**Within 1 year**	**1 to 3 years**	**3 to 5 years**	**over 5 years**
39,077	20,456	128	1,081	1,476	15,936

The reconciliation between the theoretical tax charge and the effective tax charge is as follows:

(In thousands of Euro)	**2015**	**2014**
Profit before taxes	251,383	237,980
IRES rate in force for the year	*(27.5%)*	*(27.5%)*
Theoretical tax charge	**(69,130)**	**(65,445)**
IRAP effect	(9,306)	(8,460)
(Non-deductible costs) net of non-taxable income	2,056	3,925
Differences arising from different rates – foreign countries	2,083	3,335
Other effects	(249)	(370)
Effects from non-registration of deferred taxes	(2,300)	240
Recognition of deferred tax assets on previous tax losses	-	527
Effects of taxation for transparency of income of foreign companies resident in countries/areas with a privileged tax regime	(87)	(8,217)
Total differences	(7,803)	(9,020)
Total taxes from the income statement	**(76,933)**	**(74,465)**
Effective tax rate	*(30.6%)*	*(31.3%)*

33. 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 period.

For the purposes of calculating the diluted earnings per share, the weighted average number of shares was increased in order to take into account the dilution effects of the 2012 Stock Grant Plan (expired in 2015) with the allocation of 380,000 ordinary shares. For further details reference should be made to note 35.

Here below are the values used to calculate the basic and diluted earnings per share.

	2015	**2014**
Net profit (loss) – shareholders of the Parent company (Euro)	172,732,944	156,565,260
Average number of ordinary shares	168,629,671	168,410,000
Basic earnings per share – ordinary shares (Euro)	**1.024**	**0.930**
Average number of ordinary shares	168,629,671	168,410,000
Dilution effect: number of shares which could have been issued as at 3 June 2015	160,329	320,713
Diluted average number of ordinary shares	168,790,000	168,730,713
Diluted earnings per share – ordinary shares (Euro)	**1.023**	**0.928**

Other information

34. Dividends

In order to implement the resolution of the Shareholders' Meeting of 24 April 2015, the Parent company Salvatore Ferragamo S.p.A. paid shareholders a single dividend of 0.42 Euro per share, relating to the profit for 2014, for a total amount of 70,732,200 Euro, with coupon detachment on 18 May 2015 and payment of the dividend as from 20 May 2015.

Other Group companies, during 2015, paid third-party shareholders dividends amounting to 667 thousand Euro.

35. 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 top managers of the Salvatore Ferragamo Group, at the proposal of the Nomination and Remuneration Committee, in 2012 the Board of Directors approved a specific plan (the 2012 Stock Grant Plan or, in short, the Plan) which expired in 2015 and had the characteristics described below.

Plan Aims

The objectives which the Company aimed to achieve through the implementation of the Plan can be identified in incentives for the key staff 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 interests of top managers who are the beneficiaries of the Plan with that of shareholders, (ii) improve the medium/long-term performance of the Group as a whole and, consequently, (iii) create value for investors in the Company's risk capital.

None of the members of the Board of Directors of the Parent company was among the beneficiaries of the Stock Grant Plan.

Object of the Plan

The Plan envisaged a single cycle to assign to the beneficiaries of the Plan rights to receive for free a maximum of 500,000 ordinary shares of the Company subject to the achievement of set performance targets at the end of the 2012-2013-2014 period.

Pursuant to the Plan, the free assignment of the shares was dependent (i) on the achievement of specific performance targets, as well as (ii) on the fact that, at the share vesting date there was an employment relationship between the beneficiary and the Company or one of the subsidiaries.

The performance targets as set out in point (i) consisted of:

- growth in revenue compared to a peer group (the so-called non market condition);
- Total Shareholder Return ("TSR") compared to a peer group (the so-called market condition).

In the case of failure to achieve both of these performance targets, the Board of Directors may have considered, after consulting the Nomination and Remuneration Committee, the assignment of a number of shares that was no more than 50% of the maximum set for each beneficiary.

Here below is a table which summarizes the share assignment method according to the performance targets achieved:

<table>
<tr><td colspan="2"></td><td colspan="2">Performance Target A:
Total Shareholder Return ("TSR")</td></tr>
<tr><td colspan="2"></td><td>Ferragamo TSR is less than the median of the peer group</td><td>Ferragamo TSR is equal or greater than the median of the peer group</td></tr>
<tr><td rowspan="2">Performance Target B: Revenue Growth</td><td>Ferragamo percentage sales growth is less than the median of the peer group</td><td>0% of the shares will be assigned</td><td>75% of the shares will be assigned</td></tr>
<tr><td>Ferragamo percentage sales growth is equal or greater than the median of the peer group</td><td>75% of the shares will be assigned</td><td>100% of the shares will be assigned</td></tr>
</table>

The shares to service the Plan came from a specific free share capital increase of 500,000 ordinary shares, equal to 50,000 Euro, pursuant to article 2349, paragraph 1 of the Italian Civil Code, submitted for approval during the Extraordinary Shareholders' Meeting held on 26 April 2012.
The Board of Directors on the same day, 26 April 2012, assigned the rights for 440,000 shares to the beneficiaries of the Plan.
The shares which will were assigned by the Board of Directors at the end of the 2012-2013-2014 period, were conditional on the achievement of the performance targets, and were subject to a single free share capital increase.

Expiry of the Plan

On 13 May 2015 the Board of Directors of Salvatore Ferragamo S.p.A implemented this Plan. In particular, the Board of Directors, after having ascertained, upon the request of the Nomination and Remuneration Committee, that all the Company's performance objectives and the other requirements set out in the Plan had been complied with, with the favorable opinion of the Board of Statutory Auditors, approved implementation of the Company's free share capital increase for a total amount of 38,000 Euro, through the issue of 380,000 new ordinary shares with a nominal value of 0.10 Euro each in favor of the 12 beneficiaries of the Plan. The new shares were issued and awarded to rights holders in June 2015.

Changes in the period	**Number of rights assigned to receive shares***	**Shares assigned**
(i) outstanding at the start of the year	380,000	-
(ii) assigned in the year	(380,000)	380,000
(iii) cancelled in the year	-	-
(iv) exercised in the year	-	-
(v) expired in the year	-	-
(vi) outstanding at year end	-	-
(vii) exercisable at year end	**-**	**-**

*The average exercise price has not been indicated since it is a plan with free assignment of shares.

(b) Changes to the Stock Grant Reserve in the year

	2015		**2014**	
	Number	**Fair Value (In thousands of Euro)**	**Number**	**Fair Value (In thousands of Euro)**
Employees of Salvatore Ferragamo S.p.A.				
- rights to receive shares at the start of the year	230,000	2,574	230,000	1,614
- shares assigned in the year	230,000	3,049	-	-
- rights to receive shares at the end of the year	-	-	230,000	2,574
Employees of subsidiaries				
- rights to receive shares at the start of the year	150,000	1,677	150,000	1,052
- shares assigned in the year	150,000	1,988	-	-
- rights to receive shares at the end of the year	-	-	150,000	1,677
Employees of the Salvatore Ferragamo Group				
- rights to receive shares at the start of the year	380,000	4,251	380,000	2,666
- shares assigned in the year	380,000	5,037	-	-
- rights to receive shares at the end of the year	-	-	380,000	4,251

(c) Fair value measurement

The average weighted fair value of the shares at the grant date (2012) has been calculated using a binomial model together with a Monte Carlo simulation model, with 150,000 simulations. The financial model used to describe the simulation of prices, in the absence of arbitrage, is the Hull-White model.
Considering the above assignment mechanism, it was necessary for two fair value assessments to be made:

- Assessment A which took into consideration the market condition.
- Assessment B which did not consider the market condition.

Here below are the main assumptions for the two assessments made:

Fair value measurement	Assessment A	Assessment B
- Share price at the grant date (average of 10 previous days)	Euro 15.647	Euro 15.647
- Expected volatility*	34.50%	34.50%
- Expected volatility of the share price of similar companies	between 30.03% and 36.91%	
- Correlation of the share price between Ferragamo and similar companies	between 0.504 and 0.692	
- Expected dividends	2.30%	2.30%
- Risk-free interest rate**	3.86%	3.86%
Fair value per share at the grant date	Euro 12.482/share	Euro 14.544/share

*Expected volatility is based on the historic share price volatility in a period equal to the whole vesting period. Since Ferragamo is a recently listed company, without historic volatility measured in the relevant measurement period (3 years), as provided for by IFRS 2 the historic volatility of similar companies has been considered.
**The risk-free interest rate has been identified as the yield on Italian Government bonds at the grant date.

36. 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., Ferragamo Retail Macau Limited, Ferragamo Korea Ltd, Ferragamo (Malaysia) Sdn. Bhd., Ferragamo (Singapore) Pte Ltd, Ferragamo (Thailand) Limited and Ferragamo Retail India Private 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 2015.
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, as at 31 December 2010 a financial liability was recorded taking into account the possibility of minority shareholders exercising the put option on their 29% stake. Due to this recognition, as at 31 December 2015 financial debt amounted to 4,167 thousand Euro.
In reference to the investment in the subsidiary Ferragamo Retail India Private Limited, in March 2010 the Salvatore Ferragamo Group modified the outstanding Shareholders' Agreement with the partner by signing new agreements providing for, among other things, the right of the Salvatore Ferragamo Group to immediately acquire the minority interests (equal to a 49% stake) at a preset price (34,324,000 Indian rupees), plus interest calculated based on preset parameters. The Salvatore Ferragamo Group may exercise the call option up to 30 June 2016; in the case the call option is not exercised by that date, the partner may exercise a put option on similar terms. Given a preset option price and contract terms ensuring the minority shareholder solely a return on capital, the Salvatore Ferragamo Group believes it already has access to the economic benefits connected to the share of capital covered by the option. For this reason, as from 1 April 2010, the Salvatore Ferragamo Group has consolidated the investment in Ferragamo Retail India Private Limited on a line-by-line basis. Due to this recognition, as at 31 December 2015 financial debt was 982 thousand Euro.

37. 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)	2015	2014
Retail revenues	892,041	833,101
Wholesale revenues	513,582	478,425
Licenses and services	11,540	9,375
Rental income investment properties	12,876	10,921
Revenues	**1,430,039**	**1,331,822**
Gross profit	**948,078**	**848,433**
Gross profit %	**66.3%**	**63.7%**
Personnel costs	(194,868)	(173,874)
Rental costs	(202,968)	(173,247)
Amortization, depreciation and write-downs of non current assets	(58,967)	(46,841)
Communication costs	(67,794)	(63,461)
Other costs (net of other income)	(158,881)	(145,594)
Operating profit	**264,600**	**245,416**
Net financial (charges)/income	(13,217)	(7,436)
Profit before taxes	**251,383**	**237,980**
Income taxes	(76,933)	(74,465)
Net profit/(loss)	**174,450**	**163,515**
EBITDA*	**324,340**	**292,934**

* 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 2015	31 December 2014
Inventories	351,132	338,555
Trade receivables	167,912	150,895
Tangible assets and investment property	243,922	219,092
Intangible assets with a finite useful life	33,596	29,220
Other assets	184,847	164,196
Total assets gross of cash and cash equivalents and current financial receivables	**981,409**	**901,958**
Net financial debt	9,760	49,353
Trade payables	202,148	187,555
Other liabilities	160,760	156,856
Shareholders' equity	608,741	508,194
Total liabilities and shareholders' equity (net of cash and cash equivalents and current financial receivables)	**981,409**	**901,958**

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)	Europe	North America	Japan	Asia Pacific	Central and South America	Consolidated
31 December 2015	120,436	80,033	8,128	82,809	10,259	301,665
31 December 2014	101,054	74,233	6,117	76,722	11,562	269,688

38. Transactions with related parties

This section describes the transactions with related parties undertaken in the years ended 31 December 2015 and 31 December 2014.

(In thousands of Euro)	2015		31 December 2015			
	Revenues	Operating costs (net of other income)	Trade receivables	Other assets	Trade payables	Other current liabilities
Holding company:						
Ferragamo Finanziaria S.p.A.	1	(7)	1	2,420	-	(16,772)
(company which exercises management and coordination on Salvatore Ferragamo S.p.A.)						
Related companies						
Palazzo Feroni Finanziaria S.p.A.	19	(7,377)	3	70	(26)	-
Lungarno Alberghi S.r.l.	170	(652)	65	-	(28)	-
Fondazione Ferragamo	2	(190)	-	-	(60)	-
Companies connected to members of the Board of Directors						
Bacco S.r.l.	-	(3)	-	-	-	-
Il Borro S.r.l.	8	-	3	-	-	-
Marchesi Antinori S.p.A.	12	-	-	-	-	-
Osteria del Borro S.r.l.	-	(1)	-	-	-	-
Castiglion del Bosco Hotel S.r.l.	12	-	-	-	-	-
The European House Ambrosetti S.p.A.	2	-	-	-	-	-
Rubino S.r.l.	-	(125)	-	16	(4)	-
Arpa S.r.l.	12	(36)	2	-	(16)	-
Studio Legale Portale Visconti	-	(102)	-	-	(102)	-
CECAM S.r.l.	-	-	-	-	(56)	-
Baia di Scarlino S.r.l.	4	-	1	-	-	-
Viesca Agricola S.r.l.	4	-	4	-	-	-
Imaginex Management Co. Ltd.	10	(514)	-	-	(28)	(73)
Wharf T&T Ltd.	-	(22)	-	-	-	-
Times Square Ltd.	-	(3,087)	-	-	-	-
Wharf Realty Ltd.	-	(10,000)	-	-	-	-
LongJin Zonghe Kaifa (Chengdu) LTD	-	(2,281)	-	599	-	-
Dalian Times Square Commercial Co. ltd	-	(1,172)	-	329	-	-
Shanghai Wheelock square Development Co. Ltd.	-	(678)	-	167	-	-
Shanghai Longxing Property Development Co. Ltd.	-	(615)	-	413	-	-
Shanghai Times Square Property Management (Shanghai) Co. Ltd.	-	(93)	-	6	-	-
Other related parties connected to members of the Board of Directors						
Wanda Miletti Ferragamo	-	(125)	-	-	-	-
Massimo Ferragamo	-	(135)	-	-	(24)	-
Giacomo Ferragamo	-	(705)	-	-	-	(179)
Angelica Visconti	-	(107)	-	-	-	(40)
Directors, Statutory Auditors and Managers with strategic responsibilities						
Directors, Statutory Auditors and managers with strategic responsibilities*	-	(6,342)	-	-	-	(1,397)
Total	**256**	**(34,369)**	**79**	**4,020**	**(344)**	**(18,461)**
Group total	**1,430,039**	**(683,478)**	**167,912**	**50,713**	**(202,148)**	**(59,112)**
% ratio	**0.0%**	**5.0%**	**0.0%**	**7.9%**	**0.2%**	**31.2%**

*Including the notional cost (fair value) relating to the Stock Grant Plan.

(In thousands of Euro)	2014			31 December 2014			
	Revenues	**Operating costs (net of other income)**	**Financial income**	**Trade receivables**	**Other assets**	**Trade payables**	**Other current liabilities**
Holding company							
Ferragamo Finanziaria S.p.A.	-	(10)	-	-	2,025	-	(6,275)
(company which exercises management and coordination on Salvatore Ferragamo S.p.A.)							
Related companies							
Palazzo Feroni Finanziaria S.p.A.	18	(7,366)	1	2	70	(145)	-
Lungarno Alberghi S.r.l.	178	(635)	-	47	-	(2)	-
Fondazione Ferragamo	2	(182)	-	-	-	(10)	-
Companies connected to members of the Board of Directors							
Bacco S.r.l.	-	(3)	-	-	-	-	-
Il Borro S.r.l.	6	(7)	-	-	-	-	-
Osteria del Borro S.r.l.	-	(3)	-	-	-	-	-
Nautor Holding S.r.l.	14	-	-	-	-	-	-
Castiglion del Bosco S.a.r.l.	-	(5)	-	-	-	(2)	-
Castiglion del Bosco Hotel S.r.l.	12	-	-	-	-	-	-
Rubino S.r.l.	-	(124)	-	-	16	-	-
Arpa S.r.l.	16	(103)	-	3	-	(83)	-
Studio Legale Portale Visconti	-	(60)	-	-	-	(60)	-
Resort Baia Scarlino S.r.l.	1	-	-	2	-	-	-
Marchesi Antinori S.r.l.	10	-	-	-	-	-	-
Imaginex Management Co. Ltd.	65	(435)	-	-	-	(24)	(21)
Wharf T&T Ltd.	-	(17)	-	-	-	-	(1)
Times Square Ltd.	-	(2,078)	-	-	-	-	-
Wharf Realty Ltd.	-	(8,146)	-	-	-	-	-
Imaginex Beauty Ltd.	-	-	-	-	-	-	(1)
LongJin Zonghe Kaifa (Chengdu) LTD	946	(1,381)	-	-	561	-	-
Dalian Times Square Commercial Co.ltd	-	(995)	-	-	308	-	-
Shanghai Wheelock square Development Co. Ltd.	-	(559)	-	-	160	-	-
Shanghai Harriman Property Management Co. Ltd.	-	(79)	-	-	14	-	-
Shanghai Longxing Property Development Co. Ltd.	-	(448)	-	-	387	-	-
Shanghai Times Square Property Management (Shanghai) Co. Ltd.	-	(76)	-	-	6	-	-
Other related parties connected to members of the Board of Directors							
Wanda Miletti Ferragamo	-	(223)	-	-	-	-	-
Massimo Ferragamo	-	(113)	-	-	-	-	-
Giacomo Ferragamo	-	(567)	-	-	-	-	(120)
Giuseppe Visconti	-	9	-	-	-	-	-
Angelica Visconti	-	(193)	-	-	-	-	(40)
Directors, Statutory Auditors and Managers with strategic responsibilities							
Directors, Statutory Auditors and managers with strategic responsibilities*	-	(6,141)	-	-	-	-	(3,573)
Total	**1,268**	**(29,940)**	**1**	**54**	**3,547**	**(326)**	**(10,031)**
Group total	**1,331,822**	**(603,017)**	**22,381**	**150,895**	**48,726**	**(187,555)**	**(63,710)**
% ratio	**0.1%**	**5.0%**	**0.0%**	**0.0%**	**7.3%**	**0.2%**	**15.7%**

*Including the notional cost (fair value) relating to the Stock Grant Plan.

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, nor do they generate interest and are settled in cash. Bank guarantees issued in favor of Palazzo Feroni Finanziaria S.p.A. totaled 1,329 thousand Euro and concerned lease of properties owned by said company. 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.
Other current liabilities totaling 16,772 thousand Euro and part of other assets (395 thousand Euro) refer to items regarding the domestic fiscal unity for 2015 involving the Parent company Salvatore Ferragamo S.p.A. together with Ferragamo Finanziaria S.p.A. (the consolidating company) and Ferragamo Parfums S.p.A.. The remaining portion of other assets (2,025 thousand Euro) refers to the income tax (IRES) refund claim regarding the deduction of the regional manufacturing tax (IRAP) in relation to personnel costs from 2007 to 2011, as set out in Law Decree no. 201 of 6 December 2011, recognized in 2012. Costs refer to rents for land to be used as a parking area at the Osmannoro-Sesto Fiorentino facility. During 2015 Salvatore Ferragamo S.p.A. acquired from Ferragamo Finanziaria S.p.A. for 7,100 thousand Euro plots of land and building rights needed for the construction of a new logistics center within the framework of the project to expand the Osmannoro-Sesto Fiorentino facility.

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
- property rental costs;
- rendering of services.

In particular, the following transactions should be noted:

Palazzo Feroni Finanziaria S.p.A.
Revenues and the relevant receivables refer to IT and administrative services. Payables and costs refer mainly to rents for the premises of the headquarters of Salvatore Ferragamo S.p.A. and for some stores of the Italian chain. Other assets refer to guarantee deposits.

Lungarno Alberghi S.r.l.
Revenues (and the related accounts receivable balances) refer to product sales; payables and costs refer largely to rents for the premises used as stores in the Italian chain.

Fondazione Ferragamo
The costs incurred in 2015 refer for 100 thousand Euro to the services provided for the management of the Salvatore Ferragamo historical archive (99 thousand Euro in 2014) and for 90 thousand Euro to donations to support the institutional activities of the Foundation (83 thousand Euro in 2014). Payables refer to the balance due for services concerning the management of the historical archive.

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
- property rental costs;
- rendering of services.

In particular, the following transactions should be noted:

Imaginex Management Co. Ltd.
Costs and the relevant payables mainly refer to rents for premises for an outlet store and the office in Hong Kong. Revenues refer to occasional product purchases.

Times Square Ltd.
Costs mainly refer to rents for premises for a store in Hong Kong.

Wharf Realty Ltd.
Costs refer to rents for premises for a store in Hong Kong.

LongJin Zonghe Kaifa (Chengdu) LTD
Costs refer to rents for premises for a Greater China store whereas other assets refer to the related guarantee deposit.

Dalian Times Square Commercial Co. ltd
Costs refer to rents for premises for a store of Ferragamo Moda (Shanghai) Co. Ltd whereas other assets refer to the relevant guarantee deposit.

Shanghai Wheelock square Development Co. Ltd.
Costs refer to rents for premises for offices of Ferragamo Fashion Trading (Shanghai) Co. Ltd and Ferragamo Moda (Shanghai) Co. Ltd.. Other assets refer to guarantee deposits.

Shanghai Longxing Property Development Co. Ltd.
Costs refer to rents for premises for a store of Ferragamo Moda (Shanghai) Co. Ltd whereas other assets refer to the relevant guarantee deposit.

Other related parties connected to members of the Board of Directors

Wanda Miletti Ferragamo
Costs refer to the rent of a store owned by Wanda Ferragamo and the fees she earns as Honorary Chairman of Salvatore Ferragamo S.p.A. until April 2015.

Massimo Ferragamo
Costs (and the relevant trade payables) refer to a consultancy agreement between Massimo Ferragamo and Ferragamo USA Inc..

Giacomo Ferragamo
Costs (and the relevant payables) refer to the cost incurred by the Parent company in relation to the employment relationship between Giacomo Ferragamo and the Parent company, including a variable bonus and the Stock Grant Plan cost.

Angelica Visconti
Costs (and the relevant payables) refer to the cost incurred by the Parent company in relation to the employment relationship between Angelica Visconti and the Parent company, including a variable bonus.

Directors, Statutory Auditors and Managers with strategic responsibilities

For information on Directors and Statutory Auditors reference should be made to note 39, while information on Managers with strategic responsibilities is provided in the table below:

Full name	Role
Michele Norsa	Managing Director and General Manager*
Ernesto Greco	General Manager of Administration, Finance, Control and Information Systems
Massimo Barzaghi	Deputy General Manager of Market Coordination and Supply Chain Manager
Sofia Ciucchi	Deputy General Manager of the Product Department and Human Resources Manager

* Michele Norsa has been the General Director until 30 April 2015.

Costs relating to Managers with strategic responsibilities (and the relevant payables) refer to the cost incurred by the Group in relation to the employment relationship, including the variable bonuses and in the case of the Managing Director, also refer to the amount due as Managing Director, including the variable pay. In 2015 total costs amounted to 3,866 thousand Euro and refer to wages for employees and fees for directors (3,680 thousand Euro) and Stock Grant Plan costs (186 thousand Euro).

39. Fees paid to Directors and Statutory Auditors

Directors

(In thousands of Euro)				2015 Fees					
Full name	Position held	Term of office	End of term of office	for the position held	as committee members	Non-monetary benefits	Wages, bonuses and other incentives	Other fees	Total
Ferruccio Ferragamo	Chairman	1.01-31.12	a)	668	-	b) c) d)	-	379	1,047
Michele Norsa	Managing Director	1.01-31.12	a)	1,128	-	b) c) d) e)	215	710	2,053
Giovanna Ferragamo	Deputy Chairman	1.01-31.12	a)	194	-		-	-	194
Fulvia Ferragamo	Director	1.01-31.12	a)	184	10		-	-	194
Leonardo Ferragamo	Director	1.01-31.12	a)	34	10		-	-	44
Francesco Caretti	Director	1.01-31.12	a)	268	-		-	-	268
Diego Paternò Castello di San Giuliano	Director	1.01-31.12	a)	283	-		-	-	283
Peter Woo Kwong Ching	Director	1.01-31.12	a)	-	-		-	-	-
Piero Antinori	Director	1.01-31.12	a)	33	-		-	-	33
Umberto Tombari	Director	1.01-31.12	a)	33	32		-	-	65
Marzio Saà	Director	1.01-31.12	a)	33	32		-	-	65
Chiara Ambrosetti	Director	24.04-31.12	a)	24	10		-	-	34
Lidia Fiori	Director	1.01-31.12	a)	33	17		-	-	50
Total				**2,915**	**111**		**215**	**1,089**	**4,330**

a) upon approval of the 2017 financial statements
b) car
c) mobile phone
d) insurance policies
e) accommodation

Statutory Auditors

(In thousands of Euro)			2015				
Full name	Position held	Term of office	End of term of office	Fees for the position held	Other fees	Other fees received from subsidiaries	Total
Fulvio Favini	Chairman	01.01-31.12	a)	64	8	-	72
Gerolamo Gavazzi	Acting Statutory Auditor	01.01-31.12	a)	48	-	-	48
Alessandra Daccò	Acting Statutory Auditor	01.01-31.12	a)	48	-	-	48
Total				**160**	**8**	**-**	**168**

a) upon approval of the 2016 financial statements

It should be noted that for Directors and Statutory Auditors no severance indemnities are envisaged.

40. Commitments and risks

The breakdown of the risks and commitments is as follows:

(In thousands of Euro)	31 December 2015	31 December 2014
Sureties provided by third parties in the interests of Group companies	8,168	8,142
Guarantees provided by third parties in the interests of Group companies	2,825	2,687
Guarantees provided by Group companies in the interests of third parties	93,374	91,050
Total	**104,367**	**101,879**

Sureties provided by third parties in the interests of Group companies mainly consist of sureties issued in favor of third parties on lease contracts entered into by Group companies and sureties issued by banks in favor of VAT authorities for reimbursements requested by Italian Group companies.
Guarantees provided by third parties in the interests of Group companies mainly relate to lease contracts.
Guarantees provided by Group companies refer to a guarantee for US$ 6 million (equal to 5,511 thousand Euro) relating to a lease contract of the Ferragamo USA Group and the remainder is mainly in favor of banks to guarantee credit lines which may be used locally.

The following table shows the minimum future payments due at 31 December 2015 and 31 December 2014 relating to operating leases, broken down by expiry date:

(In thousands of Euro)	31 December 2015	31 December 2014
Within 1 year	127,703	107,320
1 to 5 years	353,354	326,018
Over 5 years	263,082	233,733
Total	**744,139**	**667,071**

41. Significant non-recurring events and transactions

During 2015, the Salvatore Ferragamo Group did not carry out significant non-recurring transactions and no significant non-recurring events occurred.

42. 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 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.

43. Subsidiaries highlights

Subsidiaries highlights are shown in the table below.

(In thousands)		2015			2014		
Company	**Currency**	**Revenues**	**Net profit/(loss)**	**Shareholders' equity**	**Revenues**	**Net profit/(loss)**	**Shareholders' equity**
Ferragamo Australia Pty Ltd.	AUD	33,674	3,995	16,792	26,797	3,577	12,798
Ferragamo Japan K.K.	JPY	14,889,316	325,821	3,132,082	13,172,407	186,339	2,803,750
Ferragamo Korea Ltd.	KRW	145,088,627	5,522,273	74,406,770	139,233,036	6,498,009	68,884,497
Ferragamo Espana S.L.	EURO	11,531	505	3,279	10,128	(472)	1,773
Ferragamo Latin America Inc.*	USD	-	(30)	56	949	362	86
Ferragamo St. Thomas Inc.*	USD	-	-	-	130	385	-
Ferrimag Limited	HKD	-	(86)	123,842	-	36,175	123,928
Ferragamo Retail HK Limited	HKD	598,155	17,397	277,143	727,200	85,314	259,746
Ferragamo Retail Taiwan Limited	TWD	813,178	4,533	322,691	884,423	34,996	318,848
Ferragamo Mexico S. de R.L. de C.V.	MXN	823,642	57,689	282,523	712,951	36,216	224,723
Ferragamo Retail Nederland B.V.	EURO	6,298	626	2,328	5,086	940	1,703
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	CNY	966,839	29,037	358,124	1,034,573	91,931	329,087
Ferragamo (Singapore) Pte. Ltd.	SGD	45,830	(2,632)	7,648	43,306	(1,117)	10,280
Ferragamo (Thailand) Limited	THB	189,545	(15,670)	80,930	150,382	(13,865)	96,125
Ferragamo (Malaysia) Sdn Bhd	MYR	42,573	754	24,184	34,866	422	23,430
Ferragamo Hong Kong Ltd.	USD	312,930	32,546	190,063	319,192	40,556	220,482
Ferragamo USA Group	USD	372,789	9,826	101,654	382,015	12,410	91,751
Ferragamo Deutschland GmbH	EURO	13,360	988	11,955	12,207	1,218	10,968
Ferragamo Belgique SA	EURO	2,315	133	1,323	2,230	34	1,188
Ferragamo Monte-Carlo S.A.M.	EURO	1,103	(80)	1,114	1,433	76	1,199
Ferragamo (Suisse) SA	CHF	10,353	739	5,066	11,946	1,651	5,926
Ferragamo U.K. Limited	GBP	14,936	(304)	7,040	15,831	83	7,343
Ferragamo France S.A.S.	EURO	28,934	(308)	10,335	27,133	689	10,633
Ferragamo Parfums S.p.A.	EURO	85,931	2,136	16,587	82,552	2,162	14,381
Ferragamo Chile S.A.	CLP	1,100,266	(109,015)	90,620	1,120,252	(258,006)	199,635
Ferragamo Austria GmbH	EURO	4,382	404	3,600	3,873	64	3,196
Ferragamo Retail India Private Limited	INR	443,016	(89,479)	(422,400)	473,189	(21,782)	(333,339)
Ferragamo Retail Macau Limited	MOP	147,587	20,127	92,463	157,187	48,428	96,161
Ferragamo Moda (Shanghai) Co. Ltd.	CNY	241,666	(44,978)	(33,355)	242,192	(13,438)	11,623
Ferragamo Brasil Roupas e Acessorios Ltda.	BRL	19,097	(9,489)	20,766	15,334	(11,010)	20,949
Ferragamo Argentina S.A.	ARS	14,527	(4,815)	(5,157)	12,068	(383)	(342)
Ferragamo Denmark ApS	DKK	4,766	(1,985)	4,015	-	-	-
Ma.Ga. Immobiliare S.r.l.	EURO	-	(12)	766	-	-	-

* Non-operating company in liquidation.

Disclosure pursuant to art. 149-duodecies of the Issuers' Regulation

(In thousands of Euro) **Type of services**	**Subject which supplied the service**	**Recipient**	**Notes**	**Total fees for 2015**
Audit	Independent Auditors of the Parent company	Parent company		189
Tax assistance services	Network of the Independent Auditors of the Parent company	Parent company		14
Other services	Network of the Independent Auditors of the Parent company	Parent company	1	72
Subtotal				**275**
Audit	i) Independent Auditors of the Parent company	Subsidiaries		115
	ii) Network of the Independent Auditors of the Parent company	Subsidiaries		788
Tax assistance services	Network of the Independent Auditors of the Parent company	Subsidiaries		73
Other services	Network of the Independent Auditors of the Parent company	Subsidiaries		33
Subtotal				**1,009**
Total				**1,284**

1) The item refers mainly to IT support services and assistance under Law 262.

Significant events occurred after 31 December 2015

No significant events occurred after 31 December 2015.

Florence, 17 March 2016

On behalf of the Board of Directors

The Chairman
Ferruccio Ferragamo

Statement pursuant to paragraph 154 bis of Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance)

1. The undersigned Michele Norsa in his capacity as "Managing Director" and Marco Fortini 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 2015 period.

2. The adequacy of the administrative and accounting procedures for the preparation of the 2015 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 2015:

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 as of 31 December 2015 and for the year then ended.

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.

17 March 2016

Managing Director
Michele Norsa

Manager charged with preparing Company's Financial Reports
Marco Fortini

Building a better
working world

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Independent auditor's report
in accordance with articles 14 and 16 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of Salvatore Ferragamo S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Salvatore Ferragamo Group, which comprise the statement of financial position as at December 31, 2015, and the income statement, the statement of comprehensive income, statement of changes in equity and the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors of Salvatore Ferragamo S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated 28 February 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11, paragraph 3 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Salvatore Ferragamo Group as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated 28 February 2005.

Reconta Ernst & Young S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
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Report on other legal and regulatory requirements

Opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and Ownership Structure with the consolidated financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements. The Directors of Salvatore Ferragamo S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and the Company's Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Salvatore Ferragamo Group as at December 31, 2015.

Firenze, March 24, 2016
Reconta Ernst & Young S.p.A.
Signed by: Marco Mignani, partner

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

Salvatore Ferragamo S.p.A.

Separate Financial Statements as at 31 December 2015

Financial statements

Statement of financial position – assets

(In Euro)	**Notes**	**31 December 2015**	*of which with related parties*	**31 December 2014**	*of which with related parties*
NON CURRENT ASSETS					
Property, plant and equipment	5	65,893,967		58,603,704	
Intangible assets with a finite useful life	6	19,956,709		17,361,085	
Investments in subsidiaries	7	184,130,887		179,834,701	
Available-for-sale financial assets	8	20,000		20,000	
Other non current assets	12	270,833		-	
Other non current financial assets	9	270,740	*86,000*	265,120	*86,000*
Deferred tax assets	35	10,290,948		12,655,157	
TOTAL NON CURRENT ASSETS		**280,834,084**	***86,000***	**268,739,767**	***86,000***
CURRENT ASSETS					
Inventories	10	95,404,487		96,588,080	
Trade receivables	11	178,602,753	*128,922,054*	154,726,708	*113,741,305*
Tax receivables	12	12,560,051		3,765,818	
Other current assets	13	9,872,474	*1,962,388*	7,149,204	*1,962,388*
Other current financial assets	14	12,678,115	*12,402,471*	10,999	
Cash and cash equivalents	15	61,532,126		8,115,392	
TOTAL CURRENT ASSETS		**370,650,006**	***143,286,913***	**270,356,201**	***115,703,693***
TOTAL ASSETS		**651,484,090**	***143,372,913***	**539,095,968**	***115,789,693***

Statement of financial position – liabilities and shareholders' equity

(In Euro)

	Notes	31 December 2015	*of which with related parties*	31 December 2014	*of which with related parties*
SHAREHOLDERS' EQUITY					
Share capital	16	16,879,000		16,841,000	
Reserves	16	232,878,046		186,904,610	
Net profit/(loss) for the period		202,108,784		107,175,554	
TOTAL SHAREHOLDERS' EQUITY		**451,865,830**		**310,921,164**	
NON CURRENT LIABILITIES					
Provisions for risks and charges	17	14,251,428		8,639,116	
Employee benefit liabilities	18	7,139,018		7,705,037	
Other non current liabilities	19	1,034,200		1,095,633	
Deferred tax liabilities	35	3,320,118		3,320,118	
TOTAL NON CURRENT LIABILITIES		**25,744,764**		**20,759,904**	
CURRENT LIABILITIES					
Trade payables	20	131,546,754	*3,063,803*	126,747,614	*3,121,986*
Interest-bearing loans & borrowings	21	-		29,200,000	
Tax payables	22	4,227,457		5,081,305	
Other current liabilities	23	37,047,450	*18,388,013*	45,403,852	*12,386,010*
Other current financial liabilities	24	1,051,835		982,129	
TOTAL CURRENT LIABILITIES		**173,873,496**	***21,451,816***	**207,414,900**	***15,507,996***
TOTAL LIABILITIES		**199,618,260**	***21,451,816***	**228,174,804**	***15,507,996***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**651,484,090**	***21,451,816***	**539,095,968**	***15,507,996***

Income statement

(In Euro)	**Notes**	**2015**	*of which with related parties*	**2014**	*of which with related parties*
Revenues from sales and services	26	824,795,834	*593,221,443*	755,201,208	*502,537,722*
Change in inventories of finished products		(2,838,696)		2,300,018	
Costs for raw materials, goods and consumables	27	(229,492,230)	*(2,446,532)*	(226,493,716)	*(2,349,709)*
Costs for services	28	(303,275,010)	*(17,492,098)*	(302,581,018)	*(15,516,373)*
Personnel costs	29	(62,258,247)	*(2,840,272)*	(59,603,940)	*(4,446,813)*
Amortization, depreciation and write-downs	30	(15,140,261)		(13,053,134)	
Other operating costs	31	(3,538,123)	*(90,614)*	(6,476,305)	*(85,022)*
Other income and revenues	32	9,214,306	*1,309,926*	6,091,333	*1,248,856*
Operating profit		**217,467,573**		**155,384,446**	
Financial charges	33	(43,180,208)		(26,251,260)	
Financial income	34	93,512,954	*59,099,563*	35,649,079	*7,648,740*
Profit before taxes		**267,800,319**		**164,782,265**	
Income taxes	35	(65,691,535)		(57,606,711)	
Net profit/(loss) for the period		**202,108,784**		**107,175,554**	

Statement of comprehensive income

(In thousands of Euro)	2015	2014
Net profit/(loss) for the period (A)	**202,109**	**107,176**
Other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period		
- Net gain/(loss) from cash flow hedge	11,854	(26,594)
- Income taxes	(3,260)	7,313
	8,594	(19,281)
Total other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)	**8,594**	**(19,281)**
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	330	(883)
- Income taxes	(142)	243
	188	(640)
Total other income / (losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes (B2)	**188**	**(640)**
Total other income/(losses) for the period, net of taxes (B1+B2 = B)	**8,782**	**(19,921)**
Total comprehensive income for the period, net of taxes (A+B)	**210,891**	**87,255**

Statement of cash flows

(In thousands of Euro)	Notes	2015	*of which with related parties*	2014	*of which with related parties*
Net profit/(loss) for the period		**202,109**		**107,176**	
Adjustments to reconcile net profit to net cash provided by / (used in) operating activities:					
Amortization, depreciation and write-downs of tangible and intangible assets	5-6	15,140		13,053	
Allocation / (use of) deferred taxes	35	(1,037)		(461)	
Provision for employee benefit plans	18	95		188	
Allocation to / (use of) the provision for obsolete inventory	10	1,234		404	
Allocation to / (use of) the provisions for risks and charges		1,200		1,921	
Losses and provision for bad debt	11	-		2,668	
Losses / (gains) on disposal of tangible and intangible assets		114		(21)	
Write-down / (restatement value) of investments in subsidiaries	7	4,380		(1,828)	
Stock Grant Plan costs	36	475		960	
Other non-monetary items		98		170	
Changes in operating assets and liabilities:					
Trade receivables		(29,423)	*(15,181)*	(7,606)	*(3,108)*
Inventories	10	(50)		4,712	
Trade payables	20	4,799	*58*	(8,250)	*671*
Tax receivables		(9,065)		658	
Tax payables	22	(854)		(7,334)	
Employee benefits payments	18	(331)		(194)	
Other assets*	9-13	(1,189)		(606)	*(1)*
Other liabilities	23	7,150	*6,002*	826	*693*
Other – net		(81)		(130)	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**194,764**	***(9,121)***	**106,306**	**(1,745)**
Cash flow from investing activities:					
Purchase of tangible assets	5	(17,122)	*(7,303)*	(20,472)	
Purchase of intangible assets	6	(8,039)	*(76)*	(7,447)	
Purchase of financial assets (investments in subsidiaries)	7	(3,872)		(7,497)	
Proceeds from the sale of tangible and intangible assets		20		39	
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**(29,013)**	***(7,379)***	**(35,377)**	
Cash flow from financing activities:					
Net change in financial receivables	14	(12,402)	*(12,402)*	2	*1*
Net change in financial payables	21	(29,200)		700	
Dividends paid	40	(70,732)	*(52,117)*	(67,364)	*(49,617)*
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**(112,334)**	***(64,519)***	**(66,662)**	***(49,616)***
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**53,417**		**4,267**	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**8,115**		**3,848**	
Increase/(decrease) in cash and cash equivalents	15	53,417		4,267	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**61,532**		**8,115**	
ADDITIONAL INFORMATION					
Interest paid		63		1,231	
Income taxes paid		64,164		67,025	
Interest received		177		20	
Dividends received		59,099		7,648	

* *For a better explanation, the changes in guarantee deposits (formerly included in cash flow from investing activities) have been included in the cash flow generated from operating activities, adjusting the comparative data accordingly.*

Statement of changes in shareholders' equity

Changes in Shareholders' equity (In thousands of Euro)	**Share capital**	**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 01.01.2015	**16,841**	**4,188**	**2,995**	**155,220**	**25,478**	**(10,051)**	**(1,299)**	**10,373**	**107,176**	**310,921**
Profit/(loss) for 2015									202,109	202,109
Other comprehensive income/(losses)						8,594	188			8,782
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**-**	**8,594**	**188**	**-**	**202,109**	**210,891**
Allocation of 2014 result				36,444					(36,444)	**-**
Distribution of dividends									(70,732)	**(70,732)**
Stock Grant Reserve								786		**786**
Reclassifications	38			12				(50)		**-**
As at 31.12.2015	**16,879**	**4,188**	**2,995**	**191,676**	**25,478**	**(1,457)**	**(1,111)**	**11,109**	**202,109**	**451,866**

Changes in Shareholders' equity (In thousands of Euro)	**Share capital**	**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 01.01.2014	**16,841**	**4,188**	**2,995**	**117,114**	**25,478**	**9,230**	**(659)**	**8,788**	**105,470**	**289,445**
Profit/(loss) for 2014									107,176	107,176
Other comprehensive income/(losses)						(19,281)	(640)			(19,921)
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**-**	**(19,281)**	**(640)**	**-**	**107,176**	**87,255**
Allocation of 2013 result				38,106					(38,106)	**-**
Distribution of dividends									(67,364)	**(67,364)**
Stock Grant Reserve								1,585		**1,585**
As at 31.12.2014	**16,841**	**4,188**	**2,995**	**155,220**	**25,478**	**(10,051)**	**(1,299)**	**10,373**	**107,176**	**310,921**

Explanatory notes to the separate financial statements

1. Corporate information

Salvatore Ferragamo S.p.A. is a legal entity organized under Italian law and is listed on the Italian Stock Exchange (MTA segment).
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 2015 were approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 17 March 2016.
The main Company activities are set out in the Directors' report on operations.

1.1 Management and coordination

The Company Salvatore Ferragamo S.p.A. is subject to the management and coordination of Ferragamo Finanziaria S.p.A. pursuant to art. 2497-bis of the Italian Civil Code.

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 2014 and 2013 is given below.

Ferragamo Finanziaria S.p.A. **(In Euro)**		**31 December 2014**	**31 December 2013**
	STATEMENT OF FINANCIAL POSITION		
ASSETS			
B)	Fixed assets	211,835,790	211,410,687
C)	Current assets	27,515,093	22,606,183
D)	Accrued expenses and deferred income	1,133	1,133
	TOTAL ASSETS	**239,352,016**	**234,018,003**
LIABILITIES AND SHAREHOLDERS' EQUITY			
A)	Shareholders' equity		
	- Share capital	49,749,960	49,749,960
	- Reserves	144,685,745	143,107,627
	- Profit (loss) for the year	36,579,327	30,280,018
D)	Payables	8,336,984	10,880,398
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**239,352,016**	**234,018,003**
	Guarantees, commitments and other risks	-	-
	INCOME STATEMENT		
A)	Value of production	11,973	375,243
B)	Costs of production	(1,226,839)	(1,145,263)
	Difference between value and costs of production	**(1,214,866)**	**(770,020)**
C)	Financial income and charges	37,378,290	30,898,747
E)	Extraordinary income and charges	-	(39,853)
	Profit before taxes	**36,163,424**	**30,088,874**
	Income taxes for the year, current and deferred	415,903	191,144
	Profit (loss) for the year	**36,579,327**	**30,280,018**

2. Statement of compliance with IFRS and basis of presentation

The separate annual report of Salvatore Ferragamo S.p.A. has been prepared in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board ("IASB") adopted by 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 2015 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 and the income statement are presented in Euro, while the statement of comprehensive income, the statement of cash flows, 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;
- current assets refer to positive balances to be realized within 12 months;
- non current liabilities refer to payables due after more than 12 months, including financial payables, provisions for risks and charges and employee benefit liabilities;
- current liabilities refer to payables 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 2015 are the same as those adopted in previous years with the exception of international accounting standards newly adopted in 2015.

Discretionary valuations and significant accounting estimates

The preparation of the Separate Financial Statements and the Explanatory Notes has entailed the use of estimates and assumptions, both in determining some assets and liabilities, and in assessing contingent assets and liabilities. Effective 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 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, which may be short, are subject to impairment;
- provisions for bad debt relating to wholesale sales, which are linked to the solvency of customers with whom the company has well-established and consolidated relations;
- provisions for risks and charges, in particular expected future expenses and ongoing or foreseeable disputes, as well as for marginal cases relating to the return of goods by customers;
- the useful life of property, plant and equipment and intangible assets as well as the criteria for capitalization of development costs;
- employee benefits, whose amounts are valued on an actuarial basis;
- receivables for deferred tax assets, in particular the estimate of their recoverability in regard to future income;

- fair value of financial instruments, in which derivatives are particularly important, and which the Company uses extensively to hedge exchange rate risks.
- fair value of share-based payment plans, whether settled in cash or in shares, which the Company uses to provide incentives to the Group's management;
- the Company entered into commercial lease contracts and determined, on the basis of the contractual terms and conditions, (such as for example the fact that the contractual terms do not cover most of the economic life of the commercial property and the fair value of the asset), that all the significant risks and benefits typical of ownership of the assets remain with the lessor; therefore, these contracts are recognized as operating leases.

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 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), Investment property, Intangible assets with a finite useful life, Investments

The book value of Property, plant and equipment, Investment property, Intangible assets with a finite useful life, and Investments is subject to impairment testing when there are indicators of impairment 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 calculation of the value in use is based on a discounted cash flow model. The cash flows are taken from the business plans approved by the Board of Directors, which represent the best estimate made by the Company on the economic conditions set for the plan period. The plan forecasts normally refer to a time period of three years, the long-term growth rate (g) – used to estimate the terminal value of the asset – for prudential reasons is lower than the long-term growth rate for the sector, country or reference market. 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.

Disclosure on impairment

In the current economic scenario, although reassured by a positive trend in the economy, the Company considers disclosure regarding impairment of assets as particularly important. The Company has adopted a procedure to analyze indicators of impairment and a procedure for impairment testing. The results are listed in the notes relating to the individual assets.

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.
At the time of its sale or when there are no future economic benefits expected from the use of the asset, the asset is eliminated from the statement of financial position and any profit or loss (calculated as the difference between the disposal value and the book value) is recognized in the income statement in the year of the elimination.

Leases

The definition of a contract as a lease transaction (or as containing a lease transaction) is based on the content of the agreement and requires an assessment as to whether the fulfillment of the agreement depends on the use of one or more specific assets and whether the agreement transfers the right to use this asset. A review is undertaken after the beginning of the contract only if one of the following conditions occurs:

a) change in the contract conditions other than a renewal or extension of the contract;
b) exercise of a renewal option or grant of an extension, unless the terms of the renewal or extension were not initially included in the terms of the lease transaction;
c) change in the condition under which fulfillment depends on the use of a specific asset; or
d) substantial change in the asset.

In case of a review, the recognition of the lease will start or end on the date on which there is a change in the circumstances which gave rise to the review for scenarios a), c) or d) and on the date of renewal or extension for scenario b).

For contracts signed prior to 1 January 2010, the start date is taken to be 1 January 2010 in accordance with the transition provisions of IFRS 1.

The Company as lessee

A lease contract is classified as a financial lease or an operating lease at the start of the lease. A lease contract which substantially transfers to the Company all the risks and benefits of ownership of the leased asset is classified as financial lease. Financial leases are capitalized at the start date of the lease at the fair value of the leased asset, or, if lower, at the present value of the lease payments. Lease payments are divided between capital and interest so as to ensure the application of a constant interest rate on the residual balance of the amount due. Financial charges are recognized in the income statement. Leased assets are amortized over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership of the asset at the end of the contract, leased assets are amortized over the shorter of the estimated useful life of the asset and the duration of the lease contract.
Payments on operating leases are recognized in the income statement on a straight-line basis over the duration of the contract.

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.
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.

Business combinations

Business combinations are accounted for using the acquisition method.
As from 1 January 2010, following the coming into force of IFRS 3 (revised), 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.
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

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 in reference to the period in which the project is likely to generate revenues for the Company. During the period in which the asset is not yet being used, it will be reviewed annually to assess any impairment.

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.

Investments

Investments in subsidiaries are valued 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 book value is reduced to the related recoverable value, in accordance with the provisions of IAS 36. When, subsequently, this loss is reversed or is reduced, the accounting value is increased to the new estimate of the recoverable value, which cannot exceed the original cost.

Financial instruments

Financial instruments are initially recorded at fair value and, following their initial recognition, are valued in relation to their classification, pursuant to International Accounting Standard 39. For financial assets, this treatment is differentiated among the following categories:

- Financial assets at fair value through profit or loss
- held-to-maturity investments
- loans and receivables
- available-for-sale financial assets.

In reference to financial liabilities, just two categories are available:

- Financial liabilities at fair value through profit or loss
- liabilities at amortized cost.

The Company establishes the classification of its financial assets and liabilities when they are initially recognized.
The methods for determining fair value in reference to these 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.

Elimination of financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is eliminated from the statement of financial position when:

- the rights to receive cash flows from the asset have expired;
- the Company maintains the right to receive cash flows from the asset, but has entered into a contract obligation to pay them in full and without delay to a third party;
- the Company has transferred the right to receive the cash flows from the asset and (a) has transferred substantially all the risks and benefits relating to the ownership of the financial asset or (b) has not transferred substantially all the risks and benefits relating to the asset, but has transferred control of the asset.

When the Company has transferred the rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and benefits or has not lost control over the asset, the asset is recorded in the Company's financial statements to the extent of the Company residual involvement in the asset itself. Residual involvement which takes the form of a guarantee over the transferred asset is valued at the lower of the initial book value of the asset and the maximum consideration which the Company might be required to pay.
When the residual involvement takes the form of an option which has been issued and/or acquired in relation to the transferred asset (including cash-settled or similar options), the Company's involvement corresponds to the amount of the transferred asset which the Company may repurchase; however, in the case of a put option issued over an asset measured at fair value (including cash-settled or similar options), the Company's residual involvement is limited to the lower of the fair value of the transferred asset and the exercise price of the option.

Impairment of financial assets

The Company verifies at each reporting date whether a financial asset or group of financial assets has suffered impairment. A financial asset or a group of financial assets must be considered impaired if, and only if, there is objective evidence of impairment as the result of one or more events which have occurred since the initial recognition (when "an impairment event" occurs) and this impairment event has an impact, which can be reliably estimated, on the expected future cash flows of the financial asset or group of financial assets. Evidence of impairment may be indicators such as financial difficulties, the inability to meet obligations, insolvency in paying interest or major payments, which debtors, or a group of debtors, are experiencing, the likelihood that it will go bankrupt or be subject to some other forms of financial reorganization, and where observable data indicate that there is a measurable fall in estimated future cash flows, such as changes in circumstances or in economic conditions related to obligations.
Should financial assets be recorded at amortized cost, if there is objective evidence of impairment, the total loss is measured as the difference between the book value of the asset and the current value of the estimated future

cash flows (excluding future expected bad debts which have not yet occurred). The current value of cash flows is discounted at the original effective interest rate of the financial asset. If a loan is at a floating interest rate, the discount rate for the assessment of any impairment is the effective current rate. The book value of the asset is reduced by using a provision for bad debt and the amount of the impairment is recorded in the income statement.
In the case of equity instruments which are classified as available for sale, the objective evidence would include a significant or prolonged reduction in the fair value of the instrument to below its cost. ‘Significant’ is intended with respect to the original cost of the instrument and ‘prolonged’ is intended with respect to the duration of the period in which the fair value has been below the original cost. Where there is evidence of impairment, the cumulative impairment – measured as the difference between the purchase cost and the current fair value, less any loss for impairment of that financial asset which has already been recorded in the income statement – is reversed from the other items of the comprehensive income statement and is recorded in the income statement.

Elimination of financial liabilities

A financial liability is eliminated when the obligation underlying the liability is extinguished, cancelled or fulfilled.
Should an existing financial liability be replaced by another liability from the same lender at significantly different conditions, or should the conditions of an existing liability be substantially modified, this replacement or change is treated as an accounting elimination of the original liability and the recording of a new liability, with the recognition in the income statement of possible differences between the book values.

Available-for-sale financial assets

Available-for-sale financial assets are those financial assets, excluding derivatives, which have been designated as such or which are not classified in another financial instrument category. After their initial recognition, available-for-sale financial assets are valued at fair value and the gains and losses are recorded directly in the statement of comprehensive income. Investments in other companies, representing non current financial assets which are not held for trading (the so-called available for sale investments), are initially recognized at fair value. Subsequently, gains and losses deriving from changes in fair value are charged directly to shareholders’ equity until the assets are sold or impaired; in that moment overall gains or losses which have been previously recognized under shareholders’ equity are charged to the income statement for the period. Investments in other smaller companies for which the fair value cannot be reliably established, are recognized at cost, possibly written down for impairment.

Financial assets and other non current assets

These assets are valued based on amortized cost, using the effective interest rate method, net of any provision for impairment.
The amortized cost is calculated by considering all purchase discounts or premiums and includes fees, which are an integral part of the effective interest rate and of the transaction costs.

Trade receivables

Receivables are initially recognized at fair value, which generally corresponds to the nominal value and subsequently at amortized cost, except when the short duration of the receivables makes the application of the amortized costs negligible. They are written down in the case of impairment. In addition, they are adjusted to their presumed realizable value by recording a specific adjustment provision.

Other receivables and other financial assets

They are initially recognized at fair value and subsequently valued using the amortized cost method.

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.

Trade payables

Trade payables, whose expiry falls within normal conditions, are not discounted since the discounting effect on cash flows is negligible and they are recorded at their nominal value.

Interest-bearing loans & borrowings

Loans are initially recognized at cost, corresponding to the fair value of the amount received, net of ancillary charges to take out the loan. Following initial recognition, loans are valued at amortized cost, using the effective interest method.

Inventories

Inventories are valued 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 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.

As from 1 January 2007, the Finance Bill 2007 and the related implementation decrees introduced important changes to the regulation of employee severance indemnities, including the employee being able to choose the destination of his or her accruing indemnities, to either complementary pension funds or to the fund (Fondo di Tesoreria) managed by INPS (Italian Social Security Agency).
It, therefore, follows that the obligation to INPS and contributions to complementary pensions, pursuant to IAS 19, become "Defined-contribution plans", while the amounts recorded in the provision for employee severance indemnities are still "Defined-benefit plans". The legislative changes which have occurred as from 2007 have, in addition, entailed a reduction in defined benefits with a change in the actuarial assumptions and the consequent calculations used to determine employee severance indemnities, whose effects are directly charged to the income statement.
The actuarial assessment of liabilities has been entrusted to an independent actuary.

Derivatives

Derivatives are used solely with the purpose of hedging financial risks relating to exchange rate changes affecting commercial transactions in foreign currency.
In keeping with the provisions of IAS 39, hedge derivatives can be accounted for in accordance with the methods established for hedge accounting only when:

- at the start of the hedge, there is formal designation and documentation of the hedge itself;
- the hedge is likely to be highly effective;
- 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 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.

- 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 and which could affect the income statement, the effective portion of the gains or losses on the derivative is recorded under shareholders' equity; 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.

Revenues and costs

Revenues are recorded if the relevant economic benefits are likely to be accrued by the Company and the related amount can be reliably determined, regardless of the date on which payment is received. Revenues are valued at the fair value of the consideration received or to be received, taking into account the contractually defined payment terms and excluding taxes and duties.

Sale of goods

Revenues and costs are shown in accordance with the accruals principle. Revenues and income are recorded net of returns, discounts, allowances and premiums.
Revenues for product sales are recognized when the Company has transferred to the purchaser all the significant risks and benefits related to the product ownership, i.e. at the time of the transfer of ownership, generally, corresponding to the shipment of goods.

Royalties

Revenues from royalties are recorded on an accrual basis in accordance with contract conditions.

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.

Share-based payment plans

The Company recognizes additional benefits to some employees 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 they are granted, 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.

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 grant date. 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.

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.
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 IAS 39.

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

IFRIC 21 Levies
IFRIC 21 clarifies that an entity recognizes a liability to pay a levy no earlier than when the event that triggers the payment of the levy occurs, as described in the relevant legislation. If an obligation to pay is triggered on reaching a minimum threshold, the liability is recognized only when that minimum threshold is reached. IFRIC 21 requires retrospective application. The change did not have any impact on the Company's financial statements.

IFRS annual improvements cycle 2011-2013
The improvements concern the following issues:
IFRS 3: It is made clear that this standard does not apply to the accounting for the formation of a joint arrangement in the financial statements;
IFRS 13: Amendment to the scope of portfolio exception in paragraph 52;
IAS 40: Clarification on the interrelationship between IFRS 3 "Business Combinations" and IAS 40 "Investment property" when property can be classified as investment property or owner-occupied property.
This improvement cycle did not have any impact on the Company's financial statements.

The Company has not adopted in advance any standard, interpretation or improvement that has been issued but which is not yet in force.

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.

IFRS 9 Financial instruments
In July 2014 the IASB issued the final version of IFRS 9 "Financial instruments" which reflects all the phases of the project concerning financial instruments and replaces IAS 39 "Financial Instruments: Recognition and measurement" and all the previous versions of IFRS 9. The standard introduces new requirements for classification, measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The standard requires retrospective application of the standard, but presentation of comparative information is not compulsory. Previous versions of IFRS 9 (2009, 2010 and 2013) may be adopted early provided the relevant date of initial application is before 1 February 2015. The Company is currently assessing the impact of IFRS 9.

IFRS 15 Revenue from contracts with customers
IFRS 15 was issued in May 2014 and introduces a new five-step model to be applied to revenue from contracts with customers. IFRS 15 requires an entity to recognize revenue to depict the transfer of promised goods or services 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. The standard provides a more comprehensive framework for revenue recognition and measurement, replacing all the current revenue recognition requirements included in other IFRS. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with a full or modified retrospective application. Early adoption is permitted. The Company is currently assessing the impact of IFRS 15.

Amendments to IFRS 11 Joint arrangements: Accounting for interests in joint operations
In compliance with the amendments to IFRS 11, the acquirer of an interest in a joint operation (joint operator) in which the activity constitutes a business is required to apply all of the principles on business combinations accounting in IFRS 3. The amendments also clarify that, if the joint arrangement is retained, previously held interests in a joint arrangement are not remeasured when acquiring an additional interest. In addition, an

exclusion from the scope of IFRS 11 has been added to clarify that the amendments do not apply when the parties sharing control, including the entity which prepares the financial statements, are subject to the joint control of the ultimate controlling entity. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in the same joint operation. The amendments apply prospectively to annual periods beginning on or after 1 January 2016 and early adoption is permitted. No impact is expected on the Company following the application of these amendments.

Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization
The amendments provide additional guidance on the principle contained in IAS 16 and IAS 38: revenue reflects a pattern of generation of economic benefits that arise from the operation of a business (of which an asset is part), rather than the pattern of consumption of an asset's expected future economic benefits. Therefore the amendments prohibit entities from using a revenue-based method for items of property, plant and equipment and this method could be used only in very limited circumstances for the amortization of intangible assets. The amendments apply prospectively to annual periods beginning on or after 1 January 2016 and early adoption is permitted. No impact is expected on the Company following the application of these amendments given that the Company does not use revenue-based methods of amortization and depreciation of its non current assets.

Amendments to IAS 19 Employee benefits: Employee contributions
IAS 19 mandates that an entity has to consider contributions from employees or third parties when accounting for defined benefit plans. Contributions that are linked to service must be attributed to periods of service as a reduction of service cost. The amendment clarifies that, if the amount of the contributions is independent of the number of years of service, contributions may be recognized as a reduction in the service cost in the period in which the related service is rendered, instead of allocating the contributions to periods of service. This amendment is applicable for annual periods beginning on or after 1 February 2015.

Amendments to IAS 27: Equity method in separate financial statements
The amendments will allow the entity to use the equity method in separate financial statements to measure investments in subsidiaries, joint ventures and associates. Entities which already apply IFRS and decide to change the accounting method by adopting the equity method in their separate financial statements must apply the amendment retrospectively. In the case of first-time adopters, an entity which decides to use the equity method in separate financial statements must apply it as from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, and early adoption is permitted. No impact is expected on the Company's financial statements following the application of these amendments.

Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment entities: applying the consolidation exception
The amendment clarifies the issues arising from the application of the consolidation exception associated with investment entities, and is effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

Amendments to IAS 1: use of judgment in financial disclosure
The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports and are effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

Amendments to IFRS 10 and IAS 28: sale or contribution of assets between an investor and its associate or joint venture
The amendment addresses a conflict between the requirements of IAS 28 and IFRS 10 and clarifies that, in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The amendment is effective for annual periods beginning on or after 1 January 2016; early adoption is permitted. The European Union has postponed the endorsement process pending further developments on the amendment.

IFRS annual improvements cycle 2010-2012
The improvements will be applicable for annual periods beginning on or after 1 February 2015 and concern the following issues:
IFRS 2: Definition of "Vesting Conditions";
IFRS 3: Accounting of "contingent considerations" from a business combination;
IFRS 8: Disclosures on the aggregation of operating segments
IFRS 8: Reconciliation of total assets of operating segments and total assets of the company
IFRS 13: Short-term receivables and payables
IAS 16/IAS 38: Revaluation method: proportionate restatement of accumulated depreciation
IAS 24: An entity providing key management personnel services is a related party of the reporting entity.

IFRS annual improvements cycle 2012-2014
The improvements will be applicable as from 1 January 2016 or subsequently and concern the following issues:
IFRS 5: Guidance on reclassifications as one of the methods of disposal;
IFRS 7: Further guidance on servicing contracts and the applicability of IFRS 7 to interim financial statements;
IAS 19: Clarifications on the discount rate;
IAS 34: Clarifications on the meaning of "elsewhere in the interim financial report".

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 control 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 application of IFRS, some derivatives have been classified as held for trading, although they have been entered into solely for hedging purposes.

Financial liabilities mainly consist of trade payables and payables to banks and other financial payables. 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 interest rates;
- price risk, relating to the sensitivity of the assets and liabilities market value to changes in the level of market 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 wholly represented by short-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. Uses of the lines range from a few days to a maximum of one year. The margins applied are in line with best market standards.
Cash surpluses are used with reference banks in short-term time deposit transactions, usually referring to the Euribor/Libor rate for the period or the benchmark of the investment currency on the specific interbank market.
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 2015, considering the amounts of sensitive assets and liabilities, interest rate trends and market volatility, which have reached levels close to zero, showed no potential gains and losses in the income statement. The result of the analysis undertaken on risk factors which generate significant exposure for the year 2014, represented by the amounts of assets and liabilities denominated in Euro and Mexican Peso, had shown potential gains and losses in the income statement of 16 thousand Euro.
The possible upward or downward change in the market's benchmark interest rates has a minor 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 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).
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 collect a currency other than the Euro for a future date arises (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 2015 the percentages of net revenues of the Company in US dollars were around 38%, in yen around 7% and in renminbi around 6%. In the year ended 31 December 2014, the percentage of net revenues realized by the Company in US dollars was around 50% of net revenues, in Japanese yen around 6% while sales to the Chinese market were still denominated in US dollars. The currency risks originate mainly from exports of the Company in US dollars, Japanese yen and Chinese renminbi.
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. 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 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, during 2014 exchange rate risk management centralized at the Parent company level was progressively extended also to the Canadian subsidiary and to most of the domestic currencies of the Asian subsidiaries. The process was completed in 2015.
Goods transferred for consideration to these companies are no longer settled in US dollars, as in previous years, but directly in the currency of the country where they operate and sell. 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, hedging is arranged for an amount generally between 50% and 90% of forecast sales in 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.
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 2015 and 31 December 2014:

Exchange rate risk (In thousands of Euro)	**Cash flow hedge reserve 2015**	**2014**
Opening balance	**(13,864)**	**12,730**
+ increases for recognition of new positive effectiveness	4,587	2,256
- decreases for recognition of new negative effectiveness	(40,041)	(28,490)
- decreases for reversal of positive effectiveness from shareholders' equity and recognition of income in profit or loss	(2,711)	(10,378)
+ increases for reversal of negative effectiveness from shareholders' equity and recognition of cost in profit or loss	50,019	10,018
Closing balance	**(2,010)**	**(13,864)**

The "Reserve", which consists of the value changes in hedges for expected transactions in foreign currency, increased overall by 11,854 thousand Euro during 2015, while it decreased by 26,594 thousand Euro in 2014. The value changes reflect the trend in the Euro against the main hedged currencies, especially the exchange rate between the Euro and the US dollar, which over the two-year period saw a decidedly downward trend, from around 1.38 in January 2014 to 1.21 in December 2014. The depreciation of the Euro accelerated in the early months of 2015, reaching minimum rates around 1.04 in March, to close the year at levels around 1.10; value changes also reflect the trend in the exchange rate between the Euro and the Japanese yen, which rose from around 145 in early January 2014, to a maximum of around 150 in December 2014, to return to minimum rates around 126 in April 2015, the level at which it ended the year after reaching a peak over 140 in June. The effective amount transferred directly from the "Reserve" to the income statement under "Revenues from sales" on occurrence of the underlying flows was a negative total of 47,308 thousand Euro in 2015 while it was positive at 360 thousand Euro in 2014. During 2015-2014 no hedge was interrupted due to the cancellation of the expected underlying value. Hedges were one hundred percent effective for the whole duration of the underlying asset.

The following tables set out the average time horizon and the relevance by risk factor of exchange rate hedges which the Company held at the end of 2015 and 2014. The comparison between the two years under review shows that during 2015 the centralization process at the Parent company level of exchange rate risk management was completed for those currencies for which it had begun in 2014, extending to the whole annual period and further reducing the amount of exposure originally denominated in US dollars.

Cash flow analysis (hedged items)

(In thousands) 31 December 2015	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	from 9 months to 1 year	over 1 year
Exchange rate risk						
Sales expected in USD	**263,000**	84,000	90,000	75,000	14,000	-
Sales expected in JPY	**5,800,000**	1,400,000	1,500,000	1,600,000	1,300,000	-
Sales expected in GBP	**7,000**	2,000	2,000	2,500	500	-
Sales expected in MXN	**180,000**	60,000	60,000	60,000	-	-
Sales expected in CHF	**5,500**	1,500	1,500	1,500	1,000	-
Sales expected in AUD	**4,500**	1,000	1,500	2,000	-	-
Sales expected in CAD	**8,500**	3,500	3,000	2,000	-	-
Sales expected in CNY	**290,000**	100,000	90,000	100,000	-	-
Sales expected in HKD	**125,000**	55,000	10,000	60,000	-	-
Sales expected in SGD	**11,000**	5,000	6,000	-	-	-
Sales expected in KRW	**24,000,000**	8,000,000	10,000,000	6,000,000	-	-

(In thousands) 31 December 2014	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	from 9 months to 1 year	over 1 year
Exchange rate risk						
Sales expected in USD	**342,000**	110,000	98,000	86,000	48,000	-
Sales expected in JPY	**3,900,000**	1,200,000	1,300,000	1,400,000	-	-
Sales expected in GBP	**8,000**	2,000	2,000	2,500	1,500	-
Sales expected in MXN	**220,000**	60,000	60,000	70,000	30,000	-
Sales expected in CHF	**8,000**	1,500	1,500	2,000	1,500	1,500
Sales expected in AUD	**4,000**	1,500	2,000	500	-	-
Sales expected in CAD	**8,000**	3,000	3,000	2,000	-	-
Sales expected in CNY	**205,000**	-	95,000	70,000	40,000	-
Sales expected in HKD	**100,000**	-	50,000	50,000	-	-
Sales expected in SGD	**15,000**	7,000	4,000	4,000	-	-
Sales expected in KRW	**32,000,000**	14,000,000	12,000,000	6,000,000	-	-

Cash flow analysis (hedged items): impact on the income statement

(In thousands) 31 December 2015	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	from 9 months to 1 year	over 1 year
Exchange rate risk						
Sales expected in USD	**200,000**	84,000	92,000	24,000	-	-
Sales expected in JPY	**5,100,000**	1,100,000	1,700,000	1,500,000	800,000	-
Sales expected in GBP	**6,000**	1,800	2,000	2,200	-	-
Sales expected in MXN	**120,000**	60,000	60,000	-	-	-
Sales expected in CHF	**4,800**	1,500	1,500	1,400	400	-
Sales expected in AUD	**4,000**	500	2,500	1,000	-	-
Sales expected in CAD	**6,000**	3,000	3,000	-	-	-
Sales expected in CNY	**210,000**	80,000	90,000	40,000	-	-
Sales expected in HKD	**85,000**	25,000	40,000	20,000	-	-
Sales expected in SGD	**10,000**	6,000	4,000	-	-	-
Sales expected in KRW	**20,000,000**	4,000,000	16,000,000	-	-	-

(In thousands) 31 December 2014	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	from 9 months to 1 year	over 1 year
Exchange rate risk						
Sales expected in USD	**272,000**	110,000	102,000	48,000	12,000	-
Sales expected in JPY	**3,500,000**	1,300,000	1,300,000	900,000	-	-
Sales expected in GBP	**7,200**	1,800	2,200	2,500	700	-
Sales expected in MXN	**160,000**	60,000	70,000	30,000	-	-
Sales expected in CHF	**7,400**	1,600	1,900	1,500	1,600	800
Sales expected in AUD	**3,500**	1,500	2,000	-	-	-
Sales expected in CAD	**6,000**	3,000	3,000	-	-	-
Sales expected in CNY	**205,000**	55,000	80,000	70,000	-	-
Sales expected in HKD	**100,000**	30,000	60,000	10,000	-	-
Sales expected in SGD	**13,000**	5,000	6,000	2,000	-	-
Sales expected in KRW	**28,000,000**	14,000,000	11,000,000	3,000,000	-	-

The most important hedge, in terms of notional volume of the currency being hedged, is aimed at mitigating the risk generated by fluctuations in the exchange rates between the Euro and the following currencies: US dollar, Japanese yen, Chinese renminbi, South Korean Won and the Mexican Peso.
From a time viewpoint, hedges lasting over one year are included within eighteen months. 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 2015 and 2014.

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.

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 2015 (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	10.8%	Derivatives	668	3,787
			Non-derivatives	(665)	
	EUR/USD	10.2%	Derivatives	6,576	17,058
			Non-derivatives	(5,815)	
	EUR/KRW	12.0%	Derivatives	503	1,677
			Non-derivatives	(576)	
	EUR/HKD	10.7%	Derivatives	402	977
			Non-derivatives	(402)	
	EUR/CNY	9.9%	Derivatives	1,019	2,675
			Non-derivatives	(954)	
	EUR/MXN	13.1%	Derivatives	368	736
			Non-derivatives	(1,926)	
	EUR/CAD	9.7%	Derivatives	640	350
			Non-derivatives	(200)	
Total				**(362)**	**27,260**

31 December 2015 (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	(10.8%)	Derivatives	(830)	(4,703)
			Non-derivatives	826	
	EUR/USD	(10.2%)	Derivatives	(8,076)	(20,948)
			Non-derivatives	7,141	
	EUR/KRW	(12.0%)	Derivatives	(641)	(2,136)
			Non-derivatives	734	
	EUR/HKD	(10.7%)	Derivatives	(499)	(1,212)
			Non-derivatives	499	
	EUR/CNY	(9.9%)	Derivatives	(1,243)	(3,262)
			Non-derivatives	1,163	
	EUR/MXN	(13.1%)	Derivatives	(479)	(958)
			Non-derivatives	2,508	
	EUR/CAD	(9.7%)	Derivatives	(777)	(426)
			Non-derivatives	243	
Total				**569**	**(33,645)**

31 December 2014 (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	10.6%	Derivatives	265	2,315
			Non-derivatives	(545)	
	EUR/USD	8.9%	Derivatives	4,706	18,285
			Non-derivatives	(5,741)	
	EUR/KRW	13.0%	Derivatives	346	2,423
			Non-derivatives	(552)	
	EUR/HKD	9.2%	Derivatives	-	890
			Non-derivatives	-	-
	EUR/CNY	8.7%	Derivatives	-	2,177
			Non-derivatives	-	
	EUR/MXN	12.1%	Derivatives	363	968
			Non-derivatives	(1,617)	
	EUR/CAD	8.5%	Derivatives	112	336
			Non-derivatives	(183)	
Total				**(2,846)**	**27,394**
NEGATIVE CHANGE	EUR/JPY	(10.6%)	Derivatives	(327)	(2,865)
			Non-derivatives	675	
	EUR/USD	(8.9%)	Derivatives	(5,624)	(21,853)
			Non-derivatives	6,861	
	EUR/KRW	(13.0%)	Derivatives	(449)	(3,144)
			Non-derivatives	716	
	EUR/HKD	(9.2%)	Derivatives	-	(1,070)
			Non-derivatives		
	EUR/CNY	(8.7%)	Derivatives	-	(2,592)
			Non-derivatives	-	-
	EUR/MXN	(12.1%)	Derivatives	(463)	(1,236)
			Non-derivatives	2,063	
	EUR/CAD	(8.5%)	Derivatives	(133)	(398)
			Non-derivatives	217	
Total				**3,536**	**(33,158)**

As set out in the table above, a positive change in the exchange rates (*EUR/JPY*, *EUR/USD*, *EUR/KRW*, *EUR/HKD*, *EUR/CNY*, *EUR/MXN* and *EUR/CAD*) would have produced a loss of 362 thousand Euro as at 31 December 2015 and a loss of 2,846 thousand Euro as at 31 December 2014; similarly, a negative change in the exchange rates would have produced a profit of 569 thousand Euro as at 31 December 2015 and a profit of 3,536 thousand Euro as at 31 December 2014. The increase in shareholders' equity generated from the hedge derivatives as a consequence of the estimated rises in exchange rates would have been 27,260 thousand Euro as at 31 December 2015 and 27,394 thousand Euro as at 31 December 2014; the reduction in shareholders' equity as a consequence of the estimated decreases in exchange rates would have been 33,645 thousand Euro as at 31 December 2015 and 33,158 thousand Euro as at 31 December 2014. The sensitivity analysis carried out as described above and which is significantly influenced by the market volatility levels of exchange rates taken into account, shows a significant impact on the Company shareholders' equity, as a consequence of the possible change in the value of hedge derivatives, which is suspended in the cash flow hedge reserve and whose impact on the income statement will occur in the following years, on the actual occurrence of the forecast sales. 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 2015 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 260,000 thousand Euro as well as committed, revolving short and medium-term credit lines negotiated on a bilateral basis by the Company and, for some contracts, they can be used by several borrowers in their own accounting currency which may be different from the Euro (so-called multiborrower and/or multicurrency credit lines), for a total of 240,000 thousand Euro.
As at 31 December 2015 the Company's uses of these credit lines were equal to zero (both committed and uncommitted credit lines). Compared to the 240,000 thousand Euro available, the total amount available for the committed credit lines, considering the uses made by other Group companies which have access to such credit lines, was 234,755 thousand Euro; as at the reporting date, the Company's uses of these credit lines were equal to zero and the net financial position amounted to a surplus of 73,158 thousand Euro.
As at 31 December 2015 committed credit lines had a maximum residual duration of twenty-four months and a weighted average residual duration of twenty months. The credit lines and the related financial business are spread among leading national and international banks. At the date of this Report there were no outstanding uses of lines by Salvatore Ferragamo S.p.A.. 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 2014 the Parent company, taking advantage of extremely low market interest rates and particularly favorable credit conditions for the Company, renegotiated almost all the outstanding committed credit lines, and added some new ones, extending the contractual expiry from the usual eighteen months to thirty-six. Cash surpluses are used with reference banks in short-term (usually between few days and three months) time deposit transactions, usually 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 reduce the Group's exposure to the banking system and limit the counterparty risk and 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 which are close to 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. Thanks to the constant availability of an adequate amount of committed credit lines, the most turbulent market phases and the credit crunch could be faced calmly. 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 2015**
(In thousands of Euro)	**< 3 months**	**3-12 months**	**1-5 years**	**> 5 years**	**Total**
Trade payables	116,583	12,166			128,749
Payables to subsidiaries	2,798				2,798
Interest-bearing loans & borrowings	-	-	-	-	-
Derivatives – non-hedge component	1,029	40			1,069
Derivatives – hedge component	3,910	4,859			8,769
Total	**124,320**	**17,065**	**-**	**-**	**141,385**

Liquidity risk – Maturity analysis					**31 December 2014**
(In thousands of Euro)	**< 3 months**	**3-12 months**	**1-5 years**	**> 5 years**	**Total**
Trade payables	112,321	11,601	-	-	123,922
Payables to subsidiaries	2,826	-	-	-	2,826
Interest-bearing loans & borrowings	29,208	-	-	-	29,208
Derivatives – non-hedge component	823	183	-	-	1,006
Derivatives – hedge component	11,882	12,554	-	-	24,436
Total	**157,060**	**24,338**	**-**	**-**	**181,398**

The analysis carried out on the items relating to financial liabilities showed a concentration of maturities within three months, with nil values as at 31 December 2015 and 31 December 2014 for maturities of over 12 months. Financial assets recorded in the statement of financial position have a similar residual life.

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 19 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.
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.

Maximum credit risk exposure

(In thousands of Euro)	**31 December 2015**		**31 December 2014**	
	Current portion	Non current portion	Current portion	Non current portion
Receivables and loans				
Trade receivables	178,603	-	154,727	-
Receivables due from credit cards	190	-	164	-
Cash and cash equivalents	61,532	-	8,115	-
Guarantee deposits	-	306	-	300
Derivatives	3,694	-	1,889	-
Total	**244,019**	**306**	**164,895**	**300**

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 2015 and 31 December 2014, 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 2015**	**%**	**31 December 2014**	**%**
Italy	24,577	13.8%	21,451	13.9%
Europe	34,564	19.3%	29,173	18.8%
North America	47,965	26.9%	48,772	31.5%
Japan	4,151	2.3%	3,372	2.2%
Asia Pacific	44,328	24.8%	30,967	20.0%
Central and South America	23,018	12.9%	20,992	13.6%
Total	**178,603**	**100.0%**	**154,727**	**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.

(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 2015	158,207	2,602	2,069	3,257	3,236	9,233	178,603
31 December 2014	136,411	1,627	1,841	1,683	3,447	9,718	154,727
Figures in % at 31 December 2015	88.6%	1.5%	1.2%	1.8%	1.8%	5.2%	100.0%
Figures in % at 31 December 2014	88.2%	1.0%	1.2%	1.1%	2.2%	6.3%	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 2015 and 31 December 2014.

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	**2015**	**2014**
Percentage of revenues with the biggest customer	1.4%	1.3%
Percentage of revenues with the 3 biggest customers	3.5%	3.4%
Percentage of revenues with the 10 biggest customers	7.7%	7.9%

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 2015 and 2014.
The Company includes under net debt interest-bearing loans, other financial payables, trade and other payables, net of cash and cash equivalents. Other financial payables totaled 982 thousand Euro (823 thousand Euro as at 31 December 2014) and refer to the put option measured at fair value which is the liability to the minority shareholders of Ferragamo Retail India Private Limited at the reporting date. 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 2015**	**31 December 2014**
Interest-bearing loans	-	29,200
Other financial payables	982	823
Trade and other payables	160,981	149,032
Cash and cash equivalents	61,532	8,115
Net debt	**100,431**	**170,940**
Total shareholders' equity	**453,323**	**320,972**
Shareholders' equity and net debt	**553,754**	**491,912**
Net debt/shareholders' equity	**22.15%**	**53.26%**

4. Business combinations

During 2015 there were no business combinations.

Comments on the main statement of financial position items (assets, shareholders' equity and liabilities)

5. Property, plant and equipment

The breakdown of Property, plant and equipment as at 31 December 2015 and 31 December 2014 is shown in the following table:

(In thousands of Euro)	31 December 2015			31 December 2014		
	Historic Cost	Accumulated depreciation	Net value	Historic Cost	Accumulated depreciation	Net value
Land	15,949	-	15,949	8,774	-	8,774
Buildings	34,321	7,665	26,656	22,953	6,023	16,930
Plant and equipment	24,689	18,196	6,493	20,708	16,400	4,308
Industrial and commercial equipment	21,287	16,820	4,467	20,876	15,450	5,426
Other assets	28,047	22,989	5,058	25,593	20,911	4,682
Leasehold improvements	19,216	14,761	4,455	18,921	12,809	6,112
Fixed assets in progress and payments on account	2,816	-	2,816	12,372	-	12,372
Total	**146,325**	**80,431**	**65,894**	**130,197**	**71,593**	**58,604**

The following table shows the changes in Property, plant and equipment for the year ended 31 December 2015:

(In thousands of Euro)	Value at As at 01.01.2015	Additions	Disposals	Depreciation	Value at 31.12.2015
Land	8,774	7,175	-	-	15,949
Buildings	16,930	11,368	-	(1,642)	26,656
Plant and equipment	4,308	4,040	-	(1,855)	6,493
Industrial and commercial equipment	5,426	721	(74)	(1,606)	4,467
Other assets	4,682	2,814	-	(2,438)	5,058
Leasehold improvements	6,112	560	(61)	(2,156)	4,455
Fixed assets in progress and payments on account	12,372	2,019	(11,575)	-	2,816
Total	**58,604**	**28,697**	**(11,710)**	**(9,697)**	**65,894**

The addition:

- in the item "Land" refers to the purchase from the Holding company Ferragamo Finanziaria S.p.A., in July 2015, of plots of land and building rights relating to areas near the current Osmannoro-Sesto Fiorentino facility for a total amount of 7,100 thousand Euro in order to implement the logistics center project; it also refers to the purchase of some residual plots of land owned by the Municipality of Sesto Fiorentino (60 thousand Euro) and to the relevant ancillary charges (15 thousand Euro).
- in the item "Buildings" mainly refers to the completion of a new building in the facility at Osmannoro-Sesto Fiorentino following the plan to renovate the whole 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 and showrooms that were refurbished during the year;
- in the item "Other assets" mainly refers to IT equipment (1,141 thousand Euro) and furniture and furnishings (1,325 thousand Euro);
- in the item "Leasehold improvements" refers mainly to work carried out for the renovation of stores.

The item "Fixed assets in progress and payments on account" mainly concerned investments relating to the renovation of the buildings at the Osmannoro-Sesto Fiorentino facility (530 thousand Euro) and the investments aimed at the construction of the new logistics center (2,286 thousand Euro).

The decrease in "Fixed assets in progress and payments on account" refers to the completion of construction and renovation work started in the previous year and completed during the 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.
From the analyses carried out no need emerged to record impairment on this item.

6. Intangible assets with a finite useful life

The breakdown of Intangible assets with a finite useful life as at 31 December 2015 and 31 December 2014 is shown in the following table:

(In thousands of Euro)	31 December 2015			31 December 2014		
	Historic Cost	Accumulated amortization	Net value	Historic Cost	Accumulated amortization	Net value
Development costs	27,525	14,617	12,908	20,780	10,294	10,486
Industrial patents and use of intellectual property rights	12,299	10,776	1,523	11,344	9,876	1,468
Concessions, licenses and trademarks	6,161	5,143	1,018	5,960	4,924	1,036
Intangible assets with a finite useful life in progress	4,508	-	4,508	4,371	-	4,371
Total	**50,493**	**30,536**	**19,957**	**42,455**	**25,094**	**17,361**

The following table shows the changes in Intangible assets with a finite useful life for the year ended 31 December 2015:

(In thousands of Euro)	Value at t 01.01.2015	Additions	Disposals	Amortization	Value at 31.12.2015
Development costs	10,486	6,746	-	(4,324)	12,908
Industrial patents and use of intellectual property rights	1,468	955	-	(900)	1,523
Concessions, licenses and trademarks	1,036	201	-	(219)	1,018
Intangible assets with a finite useful life in progress	4,371	3,439	(3,302)	-	4,508
Total	**17,361**	**11,341**	**(3,302)**	**(5,443)**	**19,957**

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).
The additions relating to the item “Industrial patents and use of intellectual property rights” (955 thousand Euro) refer for 907 thousand Euro to the cost for licenses to use software for Company management procedures and for 48 thousand Euro to the cost for the purchase and registration of patents and copyrights relating to Ferragamo products.
The additions relating to the item “Concessions, licenses and trademarks” refer to the costs for filing and registering the Salvatore Ferragamo trademark.
The additions relating to the item "Intangible assets with a finite useful life in progress" mainly refer to the so-called “Marlin Project”, aimed at standardizing the Group’s retail information systems and the development of new software applications still underway at the end of the 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. Internal sources are corporate strategies which can change the use of intellectual property and software.
From the analyses carried out no need emerged to record any impairment on this item.

7. Investments in subsidiaries

The breakdown of Investments in subsidiaries as at 31 December 2015 and 31 December 2014 is shown in the following table:

(In thousands of Euro) Company	% investment	Value at 01.01.15	Additions	Restatement	Write-downs	Stock Grant	Reclassifications	Value at 31.12.15
Ferragamo Parfums S.p.A.	100	22,789	-	7,206	-	62	-	30,057
Ferragamo Mexico S. de R.L. de C.V.	99.73	499	-	-	-	-	-	499
Ferragamo Austria GmbH	100	4,434	-	-	-	-	-	4,434
Ferragamo Chile S.A.	99	382	-	-	(382)	-	-	-
Ferragamo Deutschland GmbH	100	9,246	-	-	-	-	-	9,246
Ferragamo Belgique SA	100	1,066	-	-	-	-	-	1,066
Ferragamo (Suisse) SA	100	890	-	-	-	-	-	890
Ferragamo U.K. Limited	100	8,736	-	-	-	-	-	8,736
Ferragamo Australia Pty Ltd.	100	4,132		-	-	-	-	4,132
Ferragamo France S.A.S.	100	9,945	-	-	-	-	-	9,945
Ferragamo Espana S.L.	100	-	1,001	-	-	-	-	1,001
Ferragamo Monte-Carlo S.A.M.	100	1,063	-	-	-	-	-	1,063
Ferragamo Denmark ApS	100	-	807	-	-	-	-	807
Ferragamo USA Inc.	100	57,723	-	-	-	124	-	57,847
Ferragamo Japan K.K.	71	8,397	-	-	-	-	-	8,397
Ferragamo Hong Kong Ltd.	100	12,541	-	-	-	124	-	12,665
Ferragamo (Malaysia) Sdn. Bhd.	80	1,911	-	-	-	-	-	1,911
Ferragamo (Singapore) Pte Ltd	80	2,739	-	-	-	-	-	2,739
Ferragamo Korea Ltd.	80	21,321	-	-	-	-	-	21,321
Ferragamo Moda (Shanghai) Co. Ltd.	75	1,157	-	-	-	-	(1,157)	-
Ferragamo Retail Macau Limited	75.2	1,241	-	-	-	-	-	1,241
Ferragamo Retail Nederland B.V.	100	2,291	-	-	-	-	-	2,291
Ferragamo (Thailand) Limited	80	1,779	-	-	-	-	-	1,779
Ferragamo Brasil Roupas e Acessorios Ltda.	99	5,553	-	-	(5,553)	-	-	-
Ma. Ga. Immobiliare S.r.l.	100	-	2,064	-	-	-	-	2,064
Total		**179,835**	**3,872**	**7,206**	**(5,935)**	**310**	**(1,157)**	**184,131**

For details on the item "Additions" reference should be made to the information provided in the Directors' report on operations in the section "Significant events occurred during the year".
For details on the item "Stock Grant" reference should be made to note 36.
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.
The criterion to determine the "recoverable amount", in compliance with the method required by IAS 36, is based on the present value of future cash flows expected from the investments and from the related Terminal Value (the so-called discounted cash-flow analysis – DCF).
Impairment tests were performed considering the subsidiary being tested as a CGU.
The discounted cash-flow analysis was performed using as a starting point the budget for 2016 as prepared and approved by the Board of Directors, using the expected cash flows based on the three-year plan approved by the Company's Board of Directors for the 2015-2017 period and management's expectations regarding the trends on the markets where the investments are located.
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: 1% (1% as at 31 December 2014);
- Discount rate (Weighted Average Cost of Capital, WACC): 7.80% (7.10% as at 31 December 2014).

The results of the analyses undertaken are provided below:

- write-downs were recorded on the investments in Ferragamo Chile S.A and Ferragamo Brasil Roupas e Acessorios Ltda for a total of 5,935 thousand Euro to reflect the reductions in assets following the losses incurred in these markets and so as to adjust their book value to the corresponding recoverable value;

- A restatement of investments in Ferragamo Parfums S.p.A. was recorded for a total of 7,206 thousand Euro relating to previous write-downs (up to the maximum limit of the purchase/subscription cost), in order to adjust the related book value to the corresponding recoverable amount.

The sensitivity analysis concerning the aforementioned key assumptions which were used to determine the recoverable amount (changes in the growth rate of +/-0.5% and changes in WACC of +/-0.5%), did not reveal significantly different results for the recoverable amount of the investments being tested.

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:

(In thousands of Euro) Company	% investment	Value at 01.01.15	Addi-tions	Restate-ment	Write-downs	Reclassifica-tions	Value at 31.12.15
Ferragamo Argentina S.A.	95	(172)	-	-	(176)	-	(348)
Ferragamo Retail India Private Limited	51	(2,216)	-	-	(775)	-	(2,991)
Ferragamo Moda (Shanghai) Co. Ltd.	75	-	-	-	(4,700)	1,157	(3,543)
Total		**(2,388)**	**-**	**-**	**(5,651)**	**1,157**	**(6,882)**

The following table provides the main figures from the financial statements of the subsidiaries:

(In thousands) Company	Location	% investment	Share capital Currency	Share capital Amount	Total shareholders' equity Euro	Profit/ (loss) for the year Euro	Value at 31.12.15 Euro
Ferragamo Parfums S.p.A.	Florence	100	Euro	10,000	16,587	2,136	30,057
Ferragamo Austria GmbH	Vienna	100	Euro	1,853	3,600	404	4,434
Ferragamo Deutschland GmbH	Monaco	100	Euro	3,300	11,955	988	9,246
Ferragamo Belgique SA	Brussels	100	Euro	750	1,323	133	1,066
Ferragamo France S.A.S.	Paris	100	Euro	4,334	10,335	(308)	9,945
Ferragamo (Suisse) SA	Mendrisio	100	Chf	1,000	4,675	692	890
Ferragamo Espana S.L.	Madrid	100	Euro	4,600	3,279	505	1,001
Ferragamo U.K. Limited	London	100	Gbp	6,173	9,592	(418)	8,736
Ferragamo Retail Nederland B.V.	Amsterdam	100	Euro	500	2,328	626	2,291
Ferragamo Denmark ApS	Copenhagen	100	Dkk	500	538	(266)	807
Ferragamo Australia Pty Ltd.	Sydney	100	Aud	10,536	11,272	2,703	4,132
Ferragamo USA Inc.*	New York	100	Usd	74,012	93,372	8,856	57,847
Ferragamo Monte-Carlo S.A.M.	Monte Carlo	100	Euro	304	1,114	(80)	1,063
Ferragamo Latin America Inc.	Miami	100	Usd	300	51	(27)	-
Ferragamo Mexico S. de R.L. de C.V.	Mexico City	99.73	Mxn	4,593	14,937	3,275	499
Ferragamo Japan K.K.	Tokyo	71	Yen	305,700	23,896	2,426	8,397
Ferragamo Hong Kong Ltd.	Hong Kong	100	Hkd	10	174,578	29,334	12,665
Ferragamo Chile S.A.	Santiago	99	Clp	1,471,169	117	(150)	-
Ferragamo (Thailand) Limited	Bangkok	80	Thb	100,000	2,062	(412)	1,779
Ferragamo (Malaysia) Sdn. Bhd.	Kuala Lumpur	80	Myr	1,300	5,150	174	1,911
Ferragamo (Singapore) Pte Ltd	Singapore	80	Sgd	4,600	4,961	(1,725)	2,739
Ferragamo Argentina S.A.	Buenos Aires	95	Ars	2,969	(365)	(469)	(348)
Ferragamo Retail India Private Limited	New Delhi	51	Inr	150,000	(5,865)	(1,257)	(2,991)
Ferragamo Korea Ltd.	Seoul	80	Kwon	3,291,200	58,095	4,395	21,321
Ferragamo Moda (Shanghai) Co.Ltd.	Shanghai, PRC	75	Usd	1,400	(4,724)	(6,450)	(3,543)
Ferragamo Retail Macau Limited	Macau	75.2	Mop	25	10,646	2,273	1,241
Ferragamo Brasil Roupas e Acessorios Ltda.	Sao Paulo	99	Brl	48,615	4,816	(2,564)	-
Ma.Ga. Immobiliare S.r.l.	Florence	100	Euro	20	766	(12)	2,064
Total							**177,249**

* Data refer to the Ferragamo USA Group.

8. Available-for-sale financial assets

The breakdown of the item "Available-for-sale financial assets" as at 31 December 2015 and 31 December 2014 is set out in the following table:

(In thousands of Euro)	% investment	Value at 01.01.2015	Value at 31.12.15
Polimoda Consulting S.r.l. in liquidation	0.82%	20	20
Total		**20**	**20**

Polimoda Consulting S.r.l. was placed in liquidation and the relevant deed was filed on 6 December 2013.

9. Other non current financial assets

The breakdown of the item "Other non current financial assets" as at 31 December 2015 and 31 December 2014 is set out in the following table:

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Guarantee deposits	271	265	6
Total	**271**	**265**	**6**

Guarantee deposits mainly include guarantee deposits for outstanding lease contracts.

10. Inventories

The breakdown of the item as at 31 December 2015 and 31 December 2014 is set out in the following table:

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Raw materials, accessories and consumables	45,911	43,784	2,127
Provision for obsolete inventory	(7,127)	(6,655)	(472)
Raw materials, accessories and consumables	*38,784*	37,129	1,655
Finished products and goods for resale	67,217	69,294	(2,077)
Provision for obsolete inventory	(10,597)	(9,835)	(762)
Finished products and goods for resale	*56,620*	59,459	(2,839)
Total	**95,404**	**96,588**	**(1,184)**

The change in stocks of raw materials, up by 1,655 thousand Euro compared to 2014, is due to production volumes for the period and to the increase in orders; 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 2,839 thousand Euro. The related provision reflects the difference between the purchase or production cost and the estimated realizable value of products belonging to past collections.

Net (uses) of and/or allocations to the provision for obsolete inventory were as follows:

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Raw materials	472	(1,286)	1,758
Finished products	762	1,690	(928)
Total	**1,234**	**404**	**830**

11. Trade receivables

The breakdown of the item "Trade receivables" as at 31 December 2015 and 31 December 2014 is shown in the following table:

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Trade receivables from third parties	54,086	46,041	8,045
Provision for bad debt	(4,391)	(5,048)	657
Trade receivables from subsidiaries	128,908	113,734	15,174
Total	**178,603**	**154,727**	**23,876**

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 related provision for bad debt is considered adequate to meet any cases of insolvency. The decrease compared to 31 December 2014 is due in part to the use of the provision for the write-off of bad debt and partly to a reduction in the provision by rounding up the amount as a result of the improvement in credit relationships with those customers operating in areas of the European market subject to tensions (Ukraine, Russia and Greece), which had led to the sharp increase in the provision in the previous year (+59.8%).

For detailed information on trade receivables from subsidiaries reference should be made to the note "Transactions with related parties" below.

The changes in the provision for bad debt during 2015 were as follows:

(In thousands of Euro)	Value at 01.01.2015	Allocations	Uses	Value at 31.12.2015
Provision for bad debt	**5,048**	**-**	**(657)**	**4,391**

For an analysis of past due trade receivables reference should be made to the section "Management of financial risks – Credit risk".

12. Tax receivables

The breakdown of the item "Tax receivables" as at 31 December 2015 and 31 December 2014 is shown in the following table:

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Due from tax authorities (valued added tax)	4,674	3,534	1,140
Other tax receivables	7,886	232	7,654
Total	**12,560**	**3,766**	**8,794**

Tax receivables rose by 8,794 thousand Euro compared to the prior year and mainly refer to VAT receivables and amounts due from tax authorities for income taxes relating to advances paid during the year and amounts exceeding the debt as at 31 December 2015 for direct income taxes.

In 2015 the item also includes the current portion, in the amount of 135 thousand Euro, of the tax credit relating to donations in support of culture, referred to in art. 1 of Law Decree 31 May 2014 no. 83 – the so-called "Art Bonus", made in 2015. The total tax credit is recorded in the income statement under "Other income and revenues" (406 thousand Euro) and can be used to offset payments due to the Italian Inland Revenue Office in three equal annual instalments in the three tax years after the donations and therefore two-thirds of the total is recorded under "Other non-current assets" (271 thousand Euro).

13. Other current assets

The breakdown of the item "Other current assets" as at 31 December 2015 and 31 December 2014 is set out in the following table:

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Receivables due from credit card management companies	190	164	26
Receivables from staff	12	30	(18)
Other receivables for short-term hedge derivatives	3,418	1,878	1,540
Other receivables	953	229	724
Accrued income	40	2	38
Prepaid expenses	3,174	2,846	328
Receivables from the Holding company	1,962	1,962	-
Receivables from social security institutions	123	38	85
Total	**9,872**	**7,149**	**2,723**

Receivables from the Holding company Ferragamo Finanziaria S.p.A. totaled 1,962 thousand Euro and refer to the income tax (IRES) refund claim regarding the deduction of the regional manufacturing tax (IRAP) in relation to personnel costs for employees or similar staff from 2007 to 2011 (art. 2, paragraph 1-quater, Law Decree no. 201 of 6 December 2011) which were recognized in 2012.

Other receivables for hedge derivatives totaling 3,418 thousand Euro (1,878 thousand Euro as at 31 December 2014) refer to the fair value assessment of outstanding derivative contracts (hedge component) entered into by the Company to manage exchange rate risk on sales in currencies other than the Euro.

Prepaid expenses mainly include rents (666 thousand Euro), expenses relating to the fit-out of tailored single brand stores and/or stores-in-stores managed by third parties (TPOS) (1,494 thousand Euro) and insurance premiums (64 thousand Euro).

The item mainly includes advances to suppliers (885 thousand Euro), up by 656 thousand Euro from 31 December 2014.

14. Other current financial assets

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Financial receivables due from subsidiaries	12,402	-	12,402
Short-term derivatives	276	11	265
Total	**12,678**	**11**	**12,667**

Financial receivables due from subsidiaries include loans granted to the subsidiaries Ferragamo Usa Inc. and Ferragamo Canada Inc.. For detailed information on financial receivables from subsidiaries reference should be made to the note “Transactions with related parties” below.
The item “Derivatives” totaled 276 thousand Euro and refers to the fair value measurement of derivatives for the non-hedge component (11 thousand Euro as at 31 December 2014). For further details reference should be made to note 25 below.

15. Cash and cash equivalents

The breakdown of Cash and cash equivalents as at 31 December 2015 and 31 December 2014 is shown in the following table:

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Bank and post office deposits	61,505	8,089	53,416
Cash and values on hand	27	26	1
Total	**61,532**	**8,115**	**53,417**

Bank and post office deposits, which include time deposits expiring in no more than 30 days, refer to temporary cash holdings mainly to meet imminent payments or to make intercompany loans. As at 31 December 2015 the Company had unused credit lines for 500,000 thousand Euro. As at 31 December 2014, unused credit lines totaled 530,800 thousand Euro.

16. Share capital and reserves

The **share capital** of the Company as at 31 December 2015 (wholly subscribed and paid up) amounted to 16,879,000 Euro and consisted of 168,790,000 ordinary shares with a nominal value of 0.10 Euro each. On 3 June 2015, the share capital increased by 38,000 Euro with the issue of 380,000 ordinary shares with a nominal value of 0.10 Euro each as a consequence of the resolution of the Board of Directors of Salvatore Ferragamo S.p.A. of 13 May 2015 which implemented the free share capital increase through the charging to capital of 38,000 Euro taken from the “Specific reserve for share capital increase to serve the 2012 Stock Grant Plan”. For details reference should be made to the section “Significant events occurred during the year” and note 36 herein.
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 demerger.
The legal reserve of 4,188 thousand Euro was set up in previous years and cannot be distributed.
The **extraordinary reserve,** of 191,676 thousand Euro was set up with retained earnings; the increase recorded in the period refers for 36,444 thousand Euro to the net profit for 2014, net of the distribution of dividends of 70,732 thousand Euro which were approved in 2015, and for 12 thousand Euro to the reclassification of the unused residual amount of the “Specific reserve for share capital increase to serve the 2012 Stock Grant Plan”, with the consequent cancellation of the aforementioned reserve of an original amount of 50,000 Euro, which was set up in 2012.
The **revaluation reserve** consists of:

- Revaluation reserve as per Law 342/00 amounting to 4,593 thousand Euro;
- Revaluation reserve as per Law 350/03 amounting to 7,420 thousand Euro;
- Revaluation reserve as per 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 negative for 1,457 thousand Euro and is the result of the valuation of the financial instruments defined as cash flow hedges as at 31 December 2015, 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 1,111 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 11,109 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. During 2015 the item "Other reserves" increased by a total of 786 thousand Euro for the fair value of options granted to receive shares by the Company until the grant date (June 2015) and has consequently decreased by 50 thousand Euro as a result of the extinction of the "Specific reserve for share capital increase to serve the 2012 Stock Grant Plan". For details on the Stock Grant Plan reference should be made to note 36.

Finally, the item "Other reserves" includes 1.4 thousand Euro for the provision as per art. 55 of Presidential Decree 597/1973 relating to VAT recovery pursuant to art. 15 of Law 26/04/1983.

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.

(In thousands of Euro) Shareholders' equity	Value at 31 December 2015	Possibility of use	Amount available	Summary of uses made in the last three years
Share capital	16,879			
Share capital reserves				
Revaluation reserve Law 342/00	4,593	A - B	4,593	
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	1.4	A - B - C	1.4	
Net profit reserves				
Legal reserve	4,188	B	820	
Extraordinary reserve	191,676	A - B - C	191,676	
Reserve for adoption of IAS/IFRS	6,427	B*	2,007	
Accumulated gains/losses	(356)	B		
Cash flow hedge reserve	(1,457)			
IAS 19 reserve	(1,111)			
Stock Grant Reserve	5,037			
Net profit/(loss) for the year	202,109			
Total	**451,866.4**		**222,977.4**	

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.

17. Provisions for risks and charges

The breakdown of Provisions for risks and charges as at 31 December 2015 and 31 December 2014 is shown in the following table:

(In thousands of Euro)	Value at 01.01.2015	Allocations	Uses	Reclassifications	Value at 31.12.2015
Legal disputes	531	197	(82)	-	646
Provision for other risks	5,720	1,003	-	-	6,723
Provision for excess write-downs of investments	2,388	5,651	-	(1,157)	6,882
Total	**8,639**	**6,851**	**(82)**	**(1,157)**	**14,251**

Legal disputes mainly refer to legal proceedings against the Company for contractual and labor 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 use of the provision for legal disputes mainly refers to the settlement of a number of labor proceedings and/or disputes during the year.
The provision for other risks mainly includes allocations against likely future costs of various kinds. For detailed information and the changes in the Provision for excess write-downs of investments reference should be made to note 7 "Investments in subsidiaries".

18. Employee benefit liabilities

The breakdown of Employee benefit liabilities as at 31 December 2015 and 31 December 2014 is shown in the following table:

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Employee benefit liabilities (severance indemnities)	9,661	10,144	(483)
Advances on employee severance indemnities	(2,522)	(2,439)	(83)
Total	**7,139**	**7,705**	**(566)**

The following table sets out the changes occurred during the period:

(In thousands of Euro)	31 December 2015	31 December 2014
Present value of the obligation at the beginning of the period	**7,705**	**6,828**
Financial charge	**95**	**188**
Benefits paid	**(331)**	**(194)**
Actuarial loss/(gain) arising from:		
- *financial assumptions*	(199)	985
- *demographic assumptions*	(64)	(7)
- *experience-based adjustments*	(67)	(95)
Total actuarial loss / (gain)	**(330)**	**883**
Present value of the obligation at the end of the period	**7,139**	**7,705**

The main assumptions used in determining the present value of employee severance indemnities were as follows:

	2015	2014
Annual discount rate	1.53%	1.24%
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 5.84% per year.
Here below is a quantitative sensitivity analysis for the main assumptions as at 31 December 2015 and 31 December 2014 concerning employee benefit obligations:

(In thousands of Euro)		2015		2014	
	% change	Additions	Disposals	Additions	Disposals
Annual discount rate	+/- 0.5%	(326)	352	(393)	427
Mortality rate	+/- 0.025%	(1)	1	(2)	2
Staff turnover rate	+/- 0.5%	(22)	23	(36)	38

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)	2015	2014
Top managers, middle managers and store managers	137.33	137.14
White collars	537.28	535.20
Blue collars	177.87	162.53
Temporary Agency staff	9.98	18.09
Total	**862.46**	**852.96**

The net increases are mainly due to the enhancement of the central structure and to retail staff in Italian stores.

19. Other non current liabilities

The breakdown of the item "Other non current liabilities" as at 31 December 2015 and 31 December 2014 is set out in the following table:

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Payables for deferred rents	1,034	1,096	(62)
Total	**1,034**	**1,096**	**(62)**

Payables for deferred rents refer almost entirely to the straight lining of rents over the contract period for leased property.

20. Trade payables

The breakdown of Trade payables as at 31 December 2015 and 31 December 2014 is shown in the following table:

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Trade payables to third parties	124,226	116,749	7,477
Invoices to be received	4,523	7,173	(2,650)
Payables to subsidiaries	2,798	2,826	(28)
Total	**131,547**	**126,748**	**4,799**

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 the purchase of raw materials, parts and manufacturing in outsourcing.

For detailed information on trade payables to subsidiaries reference should be made to the note "Transactions with related parties" below.

21. Interest-bearing loans & borrowings

The breakdown of Interest-bearing loans & borrowings as at 31 December 2015 and 31 December 2014 is shown in the following table:

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Financial payables to banks	-	29,200	(29,200)
Total	**-**	**29,200**	**(29,200)**

In general, the financial requirements are covered by short-term payables relating to short- and medium/long-term bank credit lines. As at 31 December 2015 the Company had no financial payables to banks while as at 31 December 2014 the item amounted to 29,200 thousand Euro. 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. Uses of the lines range from a few days to a maximum of one year. The margins applied are in line with the best market standards. Fees due for unused credit lines are negligible.

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) committed, revolving short- and medium/long-term credit lines, negotiated on a bilateral basis by the Company; some of these lines can be used by a number of borrowers in their own accounting currency which may be different from the Euro (the so-called multiborrower and/or multicurrency credit lines).

During 2014 the Company, taking advantage of particularly favorable market interest rates and credit conditions for the Company, renegotiated almost all the outstanding committed credit lines and added some new ones, extending the contractual expiry from the usual eighteen months to thirty-six.
As at 31 December 2015 committed credit lines had a maximum residual duration of twenty-four months and a weighted average residual duration of twenty 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:

(In thousands of Euro)	31 December 2015		31 December 2014	
	Agreed	Used	Agreed	Used
Committed credit lines	240,000	-	270,000	-
Uncommitted credit lines	260,000	-	290,000	29,200
Total	**500,000**	**-**	**560,000**	**29,200**

The following table provides the breakdown and changes in the net financial position as at 31 December 2015 and 31 December 2014, restated in accordance with the model included in CONSOB Communication no. DEM/6064293 of 28 July 2006.

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
A. Cash	27	26	1
B. Other cash equivalents	61,505	8,089	53,416
C. Cash and cash equivalents (A)+(B)	**61,532**	**8,115**	**53,417**
Derivatives – non-hedge component	276	11	265
Other financial assets*	12,402	-	12,402
D. Current financial receivables	**12,678**	**11**	**12,667**
E. Current bank payables	-	29,200	(29,200)
F. Derivatives – non-hedge component	1,052	982	70
G. Other current financial payables	-	-	-
H. Current financial debt (E)+(F)+(G)	**1,052**	**30,182**	**(29,130)**
I. Current financial debt, net (H)-(C)-(D)	**(73,158)**	**22,056**	**(95,214)**
J. Non current bank payables	-	-	-
K. Derivatives – non-hedge component	-	-	-
M. Other non current payables	-	-	-
N. Non current financial debt (J)+(K)+(M)	**-**	**-**	**-**
O. Net financial debt (I)+(N)	**(73,158)**	**22,056**	**(95,214)**

***** The item entirely refers to related parties (short-term loans to Group companies); for further details reference should be made to note 14 and note 38 (intragroup transactions).

Limitations on the use of financial resources

The Company's committed credit lines that are currently outstanding do not require compliance with financial covenants.

22. Tax payables

The breakdown of Tax payables as at 31 December 2015 and 31 December 2014 is shown in the following table:

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Payables for current taxes – IRAP	1,066	337	729
Payables for current taxes – IRES	-	1,836	(1,836)
Tax payables due to foreign tax authorities for VAT	124	109	15
Tax payables for withholdings applied	3,037	2,799	238
Total	**4,227**	**5,081**	**(854)**

23. Other current liabilities

The breakdown of the item "Other current liabilities" as at 31 December 2015 and 31 December 2014 is set out in the following table:

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Payables to the Holding company	16,772	5,763	11,009
Other payables to subsidiaries	-	2,889	(2,889)
Payables to staff	6,949	6,297	652
Payables to social security institutions	3,105	3,021	84
Other payables to third parties	481	441	40
Other payables for hedge derivatives	7,613	23,120	(15,507)
Accrued expenses	987	2,833	(1,846)
Deferred income	1,140	1,040	100
Total	**37,047**	**45,404**	**(8,357)**

Payables to the Holding company amounting to 16,772 thousand Euro refer to the Company's payables to the Holding company Ferragamo Finanziaria S.p.A. for the IRES corporate income tax pertaining to the year, net of the tax advances paid, as part of the domestic fiscal unity.

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 paid in the month after the reporting period and relating to amounts due to employees.

Other payables to third parties include payables to suppliers and service providers which had not been invoiced at the reporting date.

The item "Other payables for hedge derivatives" shows the fair value valuation at the end of the year of outstanding derivatives (hedge component) signed by the Company to manage exchange rate risk. For further details, reference should be made to note 25.

The item "Accrued expenses" mainly includes variable fees to the Managing Director and Chairman and the amount accrued as at 31 December 2015 for the 14th month salary for staff members who are employed under the Italian collective labor agreement for the trade industry.

Deferred income mainly includes:

- 297 thousand Euro for the share pertaining to future years of a grant received by the Company for the opening of an outlet store at the Noventa Padovana shopping center;

- a total amount of 800 thousand Euro relating to a one-off indemnity (key money) by the company Marchon Europe B.V. (American group Marchon), licensee of the Salvatore Ferragamo brand with reference to the eyewear product category, broken down as follows:
  - 300 thousand Euro for the share pertaining to future years of a one-off indemnity (key money totaling 1,500 thousand Euro) relating to the contract for the licensing of the Salvatore Ferragamo brand with reference to the worldwide production and distribution of Ferragamo branded eyewear, in force as from 1 January 2012 for a 5 year period (expiring on 31 December 2016);
  - 500 thousand Euro for the full amount of an additional one-off indemnity (*key money*) received in December 2015, referred to in the addendum signed on 22 December 2015 which extended the contract referred to in the previous paragraph until 31 December 2026.

24. Other current financial liabilities

The breakdown of the item "Other current financial liabilities" as at 31 December 2015 and 31 December 2014 is set out in the following table:

(In thousands of Euro)	31 December 2015	31 December 2014	Change 2015 vs. 2014
Short-term derivatives	70	159	(89)
Other current financial payables	982	823	159
Total	**1,052**	**982**	**70**

As at 31 December 2015 "Other current financial payables" amounting to 982 thousand Euro refer entirely to the put option measured at fair value, which represents liabilities to the minority shareholders of Ferragamo Retail India Private Limited at the reporting date. In compliance with the provisions of IAS 39, on each reporting date any value adjustments to the put option will be charged directly to the income statement under "financial charges". As at 31 December 2014 this item amounted to 823 thousand Euro.

The item "Short-term derivatives" refers to the fair value of financial derivatives with a negative mark to market at the reporting date. For further details reference should be made to note 25 below.

25. Financial instruments

The classification of financial instruments under IAS 39 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 2015 and 31 December 2014.

Classification of financial instruments and presentation of their fair value

FINANCIAL ASSETS	**31 December 2015**			**31 December 2014**		
	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-hedge component	276	-	276	11	-	11
Available-for-sale financial assets	-	20	20	-	20	20
Receivables and loans						
Receivables from others (M/L term)	-	-	-			-
Receivables due from credit cards	190	-	190	164	-	164
Trade receivables	178,603	-	178,603	154,727	-	154,727
Receivables for loans due from subsidiaries	12,402	-	12,402	-		-
Guarantee deposits	-	271	271	-	265	265
Cash and cash equivalents	61,532	-	61,532	8,115	-	8,115
Derivatives – hedge component	3,418	-	3,418	1,878	-	1,878
Total	**256,421**	**291**	**256,712**	**164,895**	**285**	**165,180**

FINANCIAL LIABILITIES	**31 December 2015**			**31 December 2014**		
	Book value		**Fair Value**	**Book value**		**Fair Value**
(In thousands of Euro)	*Current portion*	*Non current portion*		*Current portion*	*Non current portion*	
Liabilities at amortized cost						
Trade payables and payments on account	131,547	-	131,547	126,748	-	126,748
Interest-bearing loans & borrowings	-	-	-	29,200	-	29,200
Financial liabilities at fair value through profit or loss						
Derivatives – non-hedge component	1,052	-	1,052	982	-	982
Derivatives – hedge component	7,613	-	7,613	23,120	-	23,120
Total	**140,212**	**-**	**140,212**	**180,050**	**-**	**180,050**

The table shows that most outstanding financial assets and liabilities refer to short-term financial items; 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 a pricing model is used based on market interest rate values and exchange rates at the valuation date.
Also for "Guarantee deposits" the book value is a reasonable approximation of the fair value. Available-for-sale financial assets are measured at cost because their fair value cannot be reliably established.
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 2015 and 2014.

(In thousands of Euro)	**31 December 2015**	**31 December 2014**
Net gains/(losses) on financial instruments recognized in profit or loss:		
Financial assets/liabilities held for trading	(11,345)	(7,966)
Derivatives – hedge component	(47,308)	360
Net gains/(losses) on financial instruments recognized in shareholders’ equity:		
Derivatives – hedge component	11,854	(26,594)
Interest income/expense (calculated using the internal rate of return method) accrued on financial assets/liabilities not at FVTPL		
Interest income	177	21
Interest expense	167	654
Expenses and fees not included in the effective interest rate		
regarding financial liabilities	562	754
Interest income accrued on financial instruments written-off	-	-
Provisions for impairment on financial assets		
Receivables/loans	-	2,668

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 2015 and 2014.

26. Revenues from sales and services

The breakdown of Revenues from sales and services as at 31 December 2015 and 31 December 2014 is shown in the following table:

(In thousands of Euro)	**2015**	**2014**	**Change 2015 vs. 2014**
Wholesale revenues	723,530	667,399	56,131
Retail and e-commerce revenues	78,196	68,716	9,480
Royalties for concessions of trademarks	8,969	7,387	1,582
Other services	6,470	5,309	1,161
Other revenues	7,631	6,390	1,241
Total	**824,796**	**755,201**	**69,595**

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. (global 2015 turnover amounting to 38,890 thousand Euro compared to 30,943 thousand Euro in 2014); to the **watches** product category to the company Vertime B.V. belonging to the Timex Group (global 2015 turnover amounting to 14,324 thousand Euro compared to 12,613 thousand Euro in 2014); and to the **fragrances** product category to the Group company Ferragamo Parfums S.p.A..
The item "Other services" mainly includes services provided to subsidiaries.
Other revenues mainly include the recovery of freight and packaging costs.

For detailed information on revenues from subsidiaries reference should be made to the note "Transactions with related parties" below.

27. 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 2015 and 31 December 2014:

(In thousands of Euro)	**2015**	**2014**	**Change 2015 vs. 2014**
Raw materials	162,703	151,685	11,018
Finished products	62,448	61,814	634
Packaging	4,638	4,171	467
Other purchases of materials	923	961	(38)
Stationery	435	447	(12)
Change in inventories of raw materials, accessories and consumables	(1,655)	7,416	(9,071)
Total	**229,492**	**226,494**	**2,998**

28. Costs for services

The breakdown of Costs for services as at 31 December 2015 and 31 December 2014 is shown in the following table:

(In thousands of Euro)	**2015**	**2014**	**Change 2015 vs. 2014**
Manufacturing in outsourcing	199,184	202,742	(3,558)
Production, general, administrative and sales costs	85,165	81,273	3,892
Costs for the use of third-party assets	18,926	18,566	360
Total	**303,275**	**302,581**	**694**

As at 31 December 2015 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 26,818 thousand Euro;
- consultancy costs and fees to third parties (legal, administrative, product, manufacturing process, IT and other minor costs) for a total amount of 19,451 thousand Euro;
- freight and logistics costs totaling 10,259 thousand Euro;
- costs for services from subsidiaries totaling 4,687 thousand Euro; for details on these costs reference should be made to the note "Transactions with related parties" below;
- maintenance and utility costs of 4,982 thousand Euro;
- fees paid to Directors and Statutory Auditors for a total amount of 4,275 thousand Euro; for detailed information on these fees reference should be made to the note "Fees paid to Directors and Statutory Auditors" below.

Costs for the use of third-party assets mainly refer to rents for premises used as stores and offices (15,608 thousand Euro).

29. Personnel costs

The breakdown of Personnel costs as at 31 December 2015 and 31 December 2014 is shown in the following table:

(In thousands of Euro)	2015	2014	Change 2015 vs. 2014
Salaries and wages	45,963	43,691	2,272
Stock grant plan costs	475	960	(485)
Social security and welfare cost	12,748	12,026	722
Allocation of severance indemnities and allocation to complementary pension funds	3,072	2,927	145
Total	**62,258**	**59,604**	**2,654**

30. Amortization, depreciation and write-downs

The breakdown of Amortization, depreciation and write-downs as at 31 December 2015 and 31 December 2014 is shown in the following table:

(In thousands of Euro)	2015	2014	Change 2015 vs. 2014
Depreciation of tangible assets	9,697	8,512	1,185
Amortization of intangible assets	5,443	4,541	902
Total	**15,140**	**13,053**	**2,087**

31. Other operating costs

The item "Other operating costs", amounting to 3,538 thousand Euro as at 31 December 2015, mainly includes allocations to the provision for risks and charges of 1,200 thousand Euro and donations of 1,049 thousand Euro, among which of particular note is the donation in support of culture, referred to in art. 1 of the Law Decree of 31 May 2014, no. 83 – the so-called "Art Bonus", of 600 thousand Euro for the restoration of eight rooms of the Uffizi Gallery. In relation to the allocation to the provision for risks and charges, reference should be made to note 17.

32. Other income and revenues

As at 31 December 2015 "Other income and revenues" amounted to 9,214 thousand Euro and mainly included:

- recovery of expenses from subsidiaries (1,289 thousand Euro);
- advertising contributions from third parties (2,656 thousand Euro);
- use of provisions for risks (425 thousand Euro);
- tax credit of 406 thousand Euro, accounting for 65% of the donations made in 2015 referred to in art. 1 of the Law Decree of 31 May 2014, no. 83 – the so-called "Art Bonus";
- the share pertaining to 2015 (100 thousand Euro) relating to the grant received by the Company for the opening of an outlet store at the Noventa Padovana shopping center;

- the share pertaining to 2015 (300 thousand Euro) relating to key money (1,500 thousand Euro) as set out in the contract with the company Marchon Europe B.V. (part of the American group Marchon) for the licensing of the Salvatore Ferragamo brand with reference to the worldwide production and distribution of Ferragamo branded eyewear for men and women.
- insurance refunds recorded during the year amounted to 2,690 thousand Euro, an increase compared to 2014 mainly due to the insurance refund recorded under this item in the amount of 2,450 thousand Euro, part of the total refund of 2.7 million Euro for the damage suffered in the fire occurred during the night between 6 and 7 May 2015 in the terminals H and D of the Leonardo Da Vinci international airport in Rome-Fiumicino where there were two directly operated stores (DOS) of the Italian retail chain.

Finally, the item includes revenues from museum exhibitions (108 thousand Euro), 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 the note “Transactions with related parties” below.

33. Financial charges

The breakdown of the item “Financial charges” as at 31 December 2015 and 31 December 2014 is set out in the following table:

(In thousands of Euro)	2015	2014	Change 2015 vs. 2014
Financial charges for fair value adjustment of derivatives	17,700	9,718	7,982
Write-down of investments	11,586	10,357	1,229
Losses on exchange rate differences	12,812	4,324	8,488
Other financial charges	924	1,100	(176)
Financial charges on employee benefits under IAS 19	95	188	(93)
Interest expense – banks	36	347	(311)
Interest expense – other	27	217	(190)
Total	**43,180**	**26,251**	**16,929**

34. Financial income

The breakdown of the item “Financial income” as at 31 December 2015 and 31 December 2014 is set out in the following table:

(In thousands of Euro)	2015	2014	Change 2015 vs. 2014
Financial income for fair value adjustment of derivatives	6,355	1,752	4,603
Dividends from investments in subsidiaries	59,099	7,648	51,451
Restatement value of investments	7,206	12,185	(4,979)
Gains on exchange rate differences	20,676	14,044	6,632
Interest income – banks	148	17	131
Interest income – other	29	3	26
Total	**93,513**	**35,649**	**57,864**

Dividends from investments include the dividends paid by the following investee companies:

- Ferragamo Hong-Kong Ltd equal to 55,603 thousand Euro;
- Ferragamo (Suisse) SA equal to 1,452 thousand Euro;
- Ferragamo Retail Macau Limited equal to 2,044 thousand Euro.

35. Income taxes

The breakdown of Income taxes as at 31 December 2015 and 31 December 2014 is shown in the following table:

(In thousands of Euro)	2015	2014	Change 2015 vs. 2014
Current taxes	(66,729)	(58,068)	(8,661)
Deferred taxes	1,037	461	576
Total	**(65,692)**	**(57,607)**	**(8,085)**

(In thousands of Euro)	2015	2014	Change 2015 vs. 2014
Current taxes			
IRES	(57,508)	(41,727)	(15,781)
IRES – taxation for transparency of income of foreign companies resident in countries/territories with a privileged tax regime	(87)	(8,217)	8,130
IRAP	(9,134)	(8,124)	(1,010)
Total	**(66,729)**	**(58,068)**	**(8,661)**
Deferred taxes			
IRES deferred in current year	1,375	1,634	(259)
IRAP deferred in current year	47	80	(33)
Use of IRES deferred in previous years	(375)	(1,176)	801
Use of IRAP deferred in previous years	(10)	(77)	67
Total	**1,037**	**461**	**576**
Total income taxes	**(65,692)**	**(57,607)**	**(8,085)**

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 2015 and 31 December 2014:

(In thousands of Euro)	31 December 2015	31 December 2014	31 December 2015	31 December 2014	2015	2014
	Statement of financial position		Shareholders' equity		Income statement	
Deferred tax assets						
- on employee benefits	420	569	351	493	(6)	27
- on tangible assets	780	419		-	361	-
- on the cash flow hedge reserve/derivative contracts IAS 39	554	3,814	553	3,813	-	-
- on the valuation of inventories	4,983	4,643	-	-	340	61
- on receivables	636	826	-	-	(190)	501
- on taxed provisions	2,314	1,963	-	-	351	465
- for other temporary differences	604	421	-	-	181	(593)
Deferred tax assets	**10,291**	**12,655**	**904**	**4,306**	**1,037**	**461**
Deferred tax liabilities						
- on the cash flow hedge reserve/derivative contracts IAS 39	-	-	-	-	-	-
- for other temporary differences	(3,320)	(3,320)	-	-	-	-
Deferred tax liabilities	**(3,320)**	**(3,320)**	**-**	-	-	**-**
Net effect	**6,971**	**9,335**	**904**	**4,306**	**1,037**	**461**

Deferred taxes reflect the net tax effect of temporary differences between the book value and the taxable amount of assets and liabilities. The accounting of deferred tax assets was duly adjusted to take account of their effective possibility to be realized.

The reconciliation between the theoretical tax charge and the effective tax charge as at 31 December 2015 and 31 December 2014 is as follows:

(In thousands of Euro)	2015	%	2014	%
IRES				
Profit before taxes	**267,800**		**164,782**	
Theoretical taxes	73,645	27.5%	45,315	27.5%
Actual taxes	56,595	21.13%	49,486	30.0%
Difference due to:	**(17,050)**	**(6.4%)**	**4,171**	**2.5%**
i) Effect of taxation for transparency of income of foreign companies resident in countries/territories with a privileged tax regime	87	0.0%	8,217	5.0%
ii) Effect of withholding taxes on foreign dividends	-	-	237	0.1%
iii) Effect of previous years income taxes	(337)	(0.1%)		
iv) Effect of permanent increases (decreases):				
Increases				
Write-downs of investments	3,186	1.2%	2,848	1.7%
Other permanent differences	875	0.3%	512	0.3%
Decreases				
Income from subsidiaries (dividends)	(16,232)	(6.1%)	(1,998)	(1.2%)
Restatement value of investments	(1,982)	(0.7%)	(3,351)	(2.0%)
IRAP deduction	(370)	(0.1%)	(834)	(0.5%)
Other permanent differences	(2,277)	(0.9%)	(1,460)	(0.9%)
Total difference	**(17,050)**	**(6.4%)**	**4,171**	**2.5%**

(In thousands of Euro)	2015	%	2014	%
IRAP				
Net value of production	**217,468**		**155,384**	
Theoretical taxes	8,481	3.9%	6,060	3.9%
Actual taxes	9,097	4.2%	8,121	5.2%
Difference due to:	**616**	**0.3%**	**2,061**	**1.3%**
i) Effect of increases in regional IRAP rates	117	0.1%	111	0.1%
ii) Effect of permanent increases (decreases):				
Increases				
Personnel costs	2,417	1.1%	2,315	1.5%
Other permanent differences	308	0.1%	434	0.3%
Decreases				
Tax wedge	(2,141)	(1.0%)	(779)	(0.5%)
Other permanent differences	(85)	(0.0%)	(20)	(0.0%)
Total difference	**616**	**0.3%**	**2,061**	**1.3%**

In relation to the adoption of the domestic fiscal unity with the Holding company Ferragamo Finanziaria S.p.A., IRES tax charges applicable to the Company's results are solely those attributable to its own taxable income.

Other information

36. 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 the Company for top managers of the Salvatore Ferragamo Group, at the proposal of the Nomination and Remuneration Committee, in 2012 the Board of Directors approved a specific plan (the 2012 Stock Grant Plan or, in short, the Plan) which expired in June 2015 and had the characteristics described below.

Plan Aims
The objectives which the Company aims to achieve through the implementation of the Plan can be identified in incentives for the key staff 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 interests of top managers who are the beneficiaries of the Plan with that of shareholders, (ii) improve the medium/long-term performance of the Group as a whole and, consequently, (iii) create value for investors in the Company's risk capital.

None of the members of the Board of Directors of the Company is among the beneficiaries of the Stock Grant Plan.

Object of the Plan
The Plan envisaged a single cycle to assign to the beneficiaries of the Plan rights to receive for free a maximum of 500,000 ordinary shares of the Company subject to the achievement of set performance targets at the end of the 2012-2013-2014 period.

Pursuant to the Plan, the free assignment of the shares was dependent (i) on the achievement of specific performance targets; as well as (ii) on the fact that, at the share vesting date there was an employment relationship between the beneficiary and the Company or one of the subsidiaries.

The performance targets as set out in point (i) consisted of:

- growth in revenue compared to a peer group (the so-called non market condition);
- Total Shareholder Return ("TSR") compared to a peer group (the so-called market condition).

In the case of failure to achieve both of these performance targets, the Board of Directors may have considered, after consulting the Nomination and Remuneration Committee, the assignment of a number of shares that was no more than 50% of the maximum set for each beneficiary.

Here below is a table which summarizes the share assignment method according to the performance targets achieved:

<table>
<tr><td colspan="2"></td><td colspan="2">Performance Target A:
Total Shareholder Return ("TSR")</td></tr>
<tr><td colspan="2"></td><td>Ferragamo TSR is less than the median of the peer group</td><td>Ferragamo TSR is equal or greater than the median of the peer group</td></tr>
<tr><td rowspan="2">Performance Target B: Revenue Growth</td><td>Ferragamo percentage sales growth is less than the median of the peer group</td><td>0% of the shares will be assigned</td><td>75% of the shares will be assigned</td></tr>
<tr><td>Ferragamo percentage sales growth is equal or greater than the median of the peer group</td><td>75% of the shares will be assigned</td><td>100% of the shares will be assigned</td></tr>
</table>

The shares to service the Plan come from a specific free share capital increase of 500,000 ordinary shares, equal to 50,000 Euro, pursuant to article 2349, paragraph 1 of the Italian Civil Code, submitted for approval during the Extraordinary Shareholders' Meeting held on 26 April 2012.
The Board of Directors on the same day, 26 April 2012, assigned the rights for 440,000 shares to the beneficiaries of the Plan.
The shares which were assigned by the Board of Directors at the end of the 2012-2013-2014 period, were conditional on the achievement of the performance targets, and were be subject to a single free share capital increase.

Expiry of the Plan

On 13 May 2015 the Board of Directors of the Company implemented this Plan. In particular, the Board of Directors, after having ascertained, upon the request of the Nomination and Remuneration Committee, that all the Company's performance objectives and the other requirements set out in the Plan had been complied with, with the favorable opinion of the Board of Statutory Auditors, approved implementation of the Company's free share capital increase for a total amount of 38,000 Euro, through the issue of 380,000 new ordinary shares with a nominal value of 0.10 Euro each in favor of the 12 beneficiaries of the Plan. The new shares were issued and awarded to rights holders in June 2015.

Changes in the period	**Number of rights assigned to receive shares***	**Shares assigned**
(i) outstanding at the start of the year	380,000	-
(ii) assigned in the year	(380,000)	380,000
(iii) cancelled in the year	-	-
(iv) exercised in the year	-	-
(v) expired in the year	-	-
(vi) outstanding at year end	-	-
(vii) exercisable at year end	**-**	**-**

*The average exercise price has not been indicated since it is a plan with free assignment of shares.

(b) Changes to the Stock Grant Reserve in the year

	2015		**2014**	
	Number	**Fair Value (In thousands of Euro)**	**Number**	**Fair Value (In thousands of Euro)**
Employees of Salvatore Ferragamo S.p.A.				
- rights to receive shares at the start of the year	230,000	2,574	230,000	1,614
- shares assigned in the year	230,000	3,049	-	-
- rights to receive shares at the end of the year	-	-	230,000	2,574
Employees of subsidiaries				
- rights to receive shares at the start of the year	150,000	1,677	150,000	1,052
- shares assigned in the year	150,000	1,988	-	-
- rights to receive shares at the end of the year	-	-	150,000	1,677
Employees of the Salvatore Ferragamo Group				
- rights to receive shares at the start of the year	380,000	4,251	380,000	2,666
- shares assigned in the year	380,000	5,037	-	-
- rights to receive shares at the end of the year	-	-	380,000	4,251

(c) Fair value measurement

The average weighted fair value of the shares at the grant date (2012) has been calculated using a binomial model together with a Monte Carlo simulation model, with 150,000 simulations. The financial model used to describe the simulation of prices, in the absence of arbitrage, is the Hull-White model.
Considering the above assignment mechanism, it was necessary for two fair value assessments to be made:

- Assessment A which took into consideration the market condition.
- Assessment B which did not consider the market condition.

Here below are the main assumptions for the two assessments made:

Fair value measurement	Assessment A	Assessment B
- Share price at the grant date (average of 10 previous days)	Euro 15.647	Euro 15.647
- Expected volatility*	34.50%	34.50%
- Expected volatility of the share price of similar companies	between 30.03% and 36.91%	
- Correlation of the share price between Ferragamo and similar companies	between 0.504 and 0.692	
- Expected dividends	2.30%	2.30%
- Risk-free interest rate**	3.86%	3.86%
Fair value per share at the grant date	Euro 12.482/share	Euro 14.544/share

*Expected volatility is based on the historic share price volatility in a period equal to the whole vesting period. Since Ferragamo is a recently listed company, without historic volatility measured in the relevant measurement period (3 years), as provided for by IFRS 2 the historic volatility of similar companies has been considered.

**The risk-free interest rate has been identified as the yield on Italian Government bonds at the grant date.

37. 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.

38. Transactions with related parties

The following table shows the transactions with related parties for the years ended 31 December 2015 and 2014; 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:

(In thousands of Euro)	2015		31 December 2015			
	Revenues	Operating costs (net of other income)	Trade receivables	Other assets	Trade payables	Other current liabilities
Holding company:						
Ferragamo Finanziaria S.p.A.	1	(7)	1	1,962	-	(16,772)
(company which exercises management and coordination on Salvatore Ferragamo S.p.A.)						
Related companies						
Palazzo Feroni Finanziaria S.p.A.	18	(7,377)	3	70	(26)	-
Lungarno Alberghi S.r.l.	12	(624)	8	-	(5)	-
Fondazione Ferragamo	2	(190)	-	-	(60)	-
Companies connected to members of the Board of Directors						
Osteria del Borro S.r.l.	-	(1)	-	-	-	-
Bacco S.r.l.	-	(3)	-	-	-	-
Rubino S.r.l.	-	(125)	-	16	(4)	-
Arpa S.r.l.	10	(26)	-	-	(14)	-
Marchesi Antinori S.p.A.	12	-	-	-	-	-
Studio Legale Portale Visconti	-	(102)	-	-	(102)	-
Il Borro S.r.l.	2	-	2	-	-	-
The European House Ambrosetti S.p.A.	2	-	-	-	-	-
CECAM S.r.l.	-	-	-	-	(56)	-
Other related parties connected to members of the Board of Directors						
Wanda Miletti Ferragamo	-	(125)	-	-	-	-
Giacomo Ferragamo	-	(705)	-	-	-	(179)
Angelica Visconti	-	(107)	-	-	-	(40)
Directors, Statutory Auditors and Managers with strategic responsibilities						
Directors, Statutory Auditors and Managers with strategic responsibilities*	-	(6,342)	-	-	-	(1,397)
Total	**59**	**(15,734)**	**14**	**2,048**	**(267)**	**(18,388)**
Company's total	**824,796**	**(607,328)**	**178,603**	**10,143**	**(131,547)**	**(37,047)**
% ratio	**0.0%**	**2.6%**	**0.0%**	**20.2%**	**0.2%**	**49.6%**

*Including the notional cost (fair value) relating to the Stock Grant Plan.

(In thousands of Euro)	2014			31 December 2014			
	Revenues from sales and services	Operating costs (net of other income)	Financial income	Trade receivables	Other assets	Trade payables	Other current liabilities
Holding company							
Ferragamo Finanziaria S.p.A.	-	(10)	-	-	1,962	-	(5,763)
(company which exercises management and coordination on Salvatore Ferragamo S.p.A.)							
Related companies							
Palazzo Feroni Finanziaria S.p.A.	17	(7,366)	1	2	70	(145)	-
Lungarno Alberghi S.r.l.	49	(615)	-	3	-	(1)	-
Fondazione Ferragamo	2	(182)	-	-	-	(10)	-
Companies connected to members of the Board of Directors							
Osteria del Borro S.r.l.	-	(2)	-	-	-	-	-
Nautor Holding S.r.l.	14	-	-	-	-	-	-
Bacco S.r.l.	-	(3)	-	-	-	-	-
Castiglion del Bosco S.a.r.l.	-	(4)	-	-	-	(2)	-
Rubino S.r.l.	-	(124)	-	-	16	-	-
Arpa S.r.l.	14	(88)	-	2	-	(78)	-
Marchesi Antinori S.r.l.	10	-	-	-	-	-	-
Studio Legale Portale Visconti	-	(60)	-	-	-	(60)	-
Other related parties connected to members of the Board of Directors							
Wanda Miletti Ferragamo	-	(223)	-	-	-	-	-
Giacomo Ferragamo	-	(567)	-	-	-	-	(120)
Angelica Visconti	-	(193)	-	-	-	-	(40)
Giuseppe Visconti	-	9	-	-	-	-	-
Directors, Statutory Auditors and Managers with strategic responsibilities							
Directors, Statutory Auditors and Managers with strategic responsibilities*	-	(6,141)	-	-	-	-	(3,573)
Total	**106**	**(15,569)**	**1**	**7**	**2,048**	**(296)**	**(9,496)**
Company's total	**755,201**	**(599,817)**	**35,649**	**154,727**	**7,414**	**(126,748)**	**(45,404)**
% ratio	**0.0%**	**2.6%**	**0.0%**	**0.0%**	**27.6%**	**0.2%**	**20.9%**

*Including the notional cost (fair value) relating to the Stock Grant Plan.

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, nor do they generate interest and are settled in cash. Bank guarantees issued in favor of Palazzo Feroni Finanziaria S.p.A. totaled 1,329 thousand Euro and concerned lease of properties owned by said company. There are no other guarantees, given or received, relating to receivables and payables with related parties. The Company 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.

Other current liabilities refer to items regarding the domestic fiscal unity involving Salvatore Ferragamo S.p.A. together with Ferragamo Finanziaria S.p.A. (the consolidating company) and Ferragamo Parfums S.p.A.. Other assets refer to the income tax (IRES) refund claim regarding the deduction of the regional manufacturing tax (IRAP) in relation to personnel costs from 2007 to 2011, as set out in Law Decree no. 201 of 6 December 2011 recognized in 2012.
Costs refer to rents for land to be used as a parking area at the Osmannoro-Sesto Fiorentino facility.
During 2015 Salvatore Ferragamo S.p.A. purchased from Ferragamo Finanziaria S.p.A. some building plots and building rights (7,100 thousand Euro) which are needed for the construction of the new logistics center as part of the plan to expand the Osmannoro-Sesto Fiorentino facility.

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
- property rental costs;

- rendering of services.

In particular, the following transactions should be noted:

Palazzo Feroni Finanziaria S.p.A.

Revenues and the relevant receivables refer to IT and administrative services. Payables and costs refer mainly to rents for the premises of the headquarters in Florence and for some stores of the Italian chain. Other assets refer to guarantee deposits.

Lungarno Alberghi S.r.l.

Revenues (and the related accounts receivable balances) refer to product sales; payables and costs refer largely to rents for the premises used as stores in the Italian chain.

Fondazione Ferragamo

The costs incurred in 2015 refer for 100 thousand Euro to the services provided for the management of the Salvatore Ferragamo historical archive (99 thousand Euro in 2014) and for 90 thousand Euro to donations to support the institutional activities of the Foundation (83 thousand Euro in 2014). Payables refer to the balance due for services concerning the management of the historical archive.

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
- property rental costs;
- rendering of services.

Other related parties connected to members of the Board of Directors

Wanda Miletti Ferragamo

Costs refer to the rent of a store owned by Wanda Ferragamo and the fees she earns as Honorary Chairman of Salvatore Ferragamo S.p.A. until April 2015.

Giacomo Ferragamo

Costs (and the relevant payables) refer to the cost incurred by the Company in relation to the employment relationship between Giacomo Ferragamo and the Company, including a variable bonus and the Stock Grant Plan cost.

Angelica Visconti

Costs (and the relevant payables) refer to the cost incurred by the Company in relation to the employment relationship between Angelica Visconti and the Company, including a variable bonus.

Directors, Statutory Auditors and Managers with strategic responsibilities

For information on Directors and Statutory Auditors reference should be made to note 39, while information on Managers with strategic responsibilities is provided in the table below:

Full name	Role
Michele Norsa	General Manager and Managing Director*
Ernesto Greco	General Manager of Administration, Finance, Control and Information Systems
Massimo Barzaghi	Deputy General Manager of Market Coordination and Supply Chain Manager
Sofia Ciucchi	Deputy General Manager of the Product Department and Human Resources Manager

* Michele Norsa has been the General Director until 30 April 2015.

Costs relating to Managers with strategic responsibilities (and the relevant payables) refer to the cost incurred by the Company in relation to the employment relationship, including the variable bonuses and in the case of the Managing Director, also refer to the amount due as Managing Director, including the variable pay. In 2015 total costs amounted to 3,866 thousand Euro and refer to wages for employees and fees for directors (3,680 thousand Euro) and Stock Grant Plan costs (186 thousand Euro).

Intragroup transactions

The following tables show the overall values of transactions with subsidiaries:

(In thousands of Euro) Company	Trade receivables 2015	Trade receivables 2014	Other current financial assets 2015	Other current financial assets 2014	Total 2015	Total 2014
Ferragamo Deutschland GmbH	1,938	1,995	-	-	1,938	1,995
Ferragamo France S.A.S.	3,099	3,216	-	-	3,099	3,216
Ferragamo (Suisse) SA	614	687	-	-	614	687
Ferragamo Monte-Carlo S.A.M.	160	200	-	-	160	200
Ferragamo Belgique SA	322	250	-	-	322	250
Ferragamo Espana S.L.	1,649	1,440	-	-	1,649	1,440
Ferragamo U.K. Limited	2,155	1,449	-	-	2,155	1,449
Ferragamo Denmark Aps	148	-	-	-	148	-
Ferragamo Austria GmbH	667	553	-	-	667	553
Ferragamo Parfums S.p.A.	1,678	1,465	-	-	1,678	1,465
Ferragamo Retail Nederland B.V.	792	727	-	-	792	727
Total Europe	**13,222**	**11,982**	-	-	**13,222**	**11,982**
Ferragamo Hong Kong Ltd.	33,125	23,201	-	-	33,125	23,201
Ferragamo Retail HK Limited	41	42	-	-	41	42
Ferragamo Australia Pty Ltd.	1,076	705	-	-	1,076	705
Ferragamo Japan K.K.	3,247	2,883	-	-	3,247	2,883
Ferragamo Moda (Shanghai) Co. Ltd.	389	187	-	-	389	187
Ferragamo Retail India Private Limited	4,977	3,061	-	-	4,977	3,061
Ferragamo Retail Taiwan Limited	37	16	-	-	37	16
Ferragamo Retail Macau Limited	1	-	-	-	1	-
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	823	399	-	-	823	399
Ferragamo Korea Ltd.	3,996	3,617	-	-	3,996	3,617
Ferragamo (Singapore) Pte Ltd	26	152	-	-	26	152
Ferragamo Thailand Limited	184	92	-	-	184	92
Ferragamo (Malaysia) Sdn. Bhd.	21	101	-	-	21	101
Total Asia Pacific	**47,943**	**34,456**	-	-	**47,943**	**34,456**
Ferragamo Usa Inc.	45,130	45,593	6,445	-	51,575	45,593
Ferragamo St Thomas Inc.	-	44	-	-	-	44
Ferragamo Canada Inc.	2,326	2,334	5,957	-	8,283	2,334
Total North America	**47,456**	**47,971**	**12,402**	-	**59,858**	**47,971**
Ferragamo Mexico S. de R.L. de C.V.	16,644	14,950	-	-	16,644	14,950
Ferragamo Chile S.A.	1,406	1,189	-	-	1,406	1,189
Ferragamo Argentina S.A.	1,491	971	-	-	1,491	971
Ferragamo Brasil Roupas & Acessorios Ltda.	746	2,215	-	-	746	2,215
Total Central and South America	**20,287**	**19,325**	**-**	-	**20,287**	**19,325**
Total	**128,908**	**113,734**	**12,402**	-	**141,310**	**113,734**

(In thousands of Euro) Company	Trade payables 2015	Trade payables 2014	Other current liabilities 2015	Other current liabilities 2014	Total 2015	Total 2014
Ferragamo France S.A.S	120	295	-	-	120	295
Ferragamo (Suisse) SA	4	-	-	-	4	-
Ferragamo Espana S.L.	3	2	-	-	3	2
Ferragamo U.K. Limited	82	32	-	-	82	32
Ferragamo Parfums S.p.A.	293	369	-	-	293	369
Ferragamo Deutschland GmbH	-	1	-	-	-	1
Ma.ga. Immobiliare S.r.l.	113	-	-	-	113	-
Total Europe	**615**	**699**	**-**	**-**	**615**	**699**
Ferragamo Usa Inc.	1,354	1,361	-	-	1,354	1,361
Total North America	**1,354**	**1,361**	-	-	**1,354**	**1,361**
Ferragamo Hong Kong Ltd.	265	320	-	-	265	320
Ferragamo Australia Pty Ltd.	92	175	-	-	92	175
Ferragamo Japan K.K.	213	195	-	-	213	195
Ferragamo Retail India Private Limited	51	47	-	-	51	47
Ferragamo Fashion Trading (Shanghai) Co.Ltd.	192	-	-	-	192	-
Ferragamo Korea Ltd.	9	11	-	-	9	11
Total Asia Pacific	**822**	**748**	**-**	**-**	**822**	**748**
Ferragamo Latin America Inc.	-	5	-	-	-	5
Ferragamo Mexico S. de R.L. de C.V.	7	13	-	-	7	13
Ferragamo Brasil Roupas e Acessorios Ltda.	-	-	-	2,889	-	2,889
Total Central and South America	**7**	**18**	**-**	**2,889**	**7**	**2,907**
Total	**2,798**	**2,826**	**-**	**2,889**	**2,798**	**5,715**

(In thousands of Euro)

SUBSIDIARIES	Revenues from sales and services				Other income and revenues		Financial income		Total	
	Revenues from sales		Revenues from services (including royalties)							
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Ferragamo Deutschland GmbH	6,358	5,053	116	154	34	6	-	3,500	6,508	8,713
Ferragamo France S.A.S.	11,731	10,491	130	119	65	52	-	-	11,926	10,662
Ferragamo (Suisse) SA	6,924	6,300	55	55	-	12	1,452	1,644	8,431	8,011
Ferragamo Monte-Carlo S.A.M.	510	537	15	15	-	-	-	-	525	552
Ferragamo Belgique SA	1,084	691	15	15	-	-	-	-	1,099	706
Ferragamo Espana S.L.	4,962	4,009	62	56	6	10	-	-	5,030	4,075
Ferragamo U.K. Limited	9,472	9,737	96	93	1	6	-	-	9,569	9,836
Ferragamo Austria GmbH	1,903	1,696	17	15	-	1	-	-	1,920	1,712
Ferragamo Denmark Aps	670	-	15	-	10	-	-	-	695	-
Ferragamo Parfums S.p.A.	77	55	2,980	2,852	221	213	-	-	3,278	3,120
Ferragamo Retail Nederland B.V.	2,965	2,611	30	22	-	1	-	-	2,995	2,634
Total Europe	**46,656**	**41,180**	**3,531**	**3,396**	**337**	**301**	**1,452**	**5,144**	**51,976**	**50,021**
Ferragamo Hong Kong Ltd.	231,609	196,103	915	781	324	506	55,603	-	288,451	197,390
Ferragamo Retail HK Limited	-	-	161	171	12	-	-	-	173	171
Ferragamo Australia Pty Ltd.	9,004	6,668	20	-	113	8	-	-	9,137	6,676
Ferragamo Japan K.K.	46,264	38,212	229	225	70	13	-	-	46,563	38,450
Ferragamo Korea Ltd.	29,407	23,143	731	762	128	69	-	2,504	30,266	26,478
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	-	-	389	377	34	23	-	-	423	400
Ferragamo Moda (Shanghai) Co.Ltd	-	-	186	175	17	11	-	-	203	186
Ferragamo Retail India Private Limited	2,556	2,299	-	-	-	1	-	-	2,556	2,300
Ferragamo (Malaysia) Sdn. Bhd.	-	-	90	63	14	38	-	-	104	101
Ferragamo (Singapore) Pte Ltd	-	-	138	89	20	63	-	-	158	152
Ferragamo Retail Taiwan Limited	-	-	160	134	12	2	-	-	172	136
Ferragamo Retail Macau Limited	-	-	-	52	1	-	2,044	-	2,045	52
Ferragamo (Thailand) Limited	-	-	81	55	11	37	-	-	92	92
Total Asia Pacific	**318,840**	**266,425**	**3,100**	**2,884**	**756**	**771**	**57,647**	**2,504**	**380,343**	**272,584**
Ferragamo USA Inc.	181,766	155,327	466	-	129	140	-	-	182,361	155,467
Sator Realty Inc.	-	-	-	-	25	-	-	-	25	-
Ferragamo St Thomas Inc.	-	44	-	-	-	-	-	-	-	44
Ferragamo Canada Inc.	10,756	8,950	43	-	-	-	-	-	10,799	8,950
Total North America	**192,522**	**164,321**	**509**	**-**	**154**	**140**	**-**	**-**	**193,185**	**164,461**
Ferragamo Mexico S. de R.L. de C.V.	25,189	20,557	-	-	40	11	-	-	25,229	20,568
Ferragamo Chile S.A.	694	646	-	-	1	1	-	-	695	647
Ferragamo Argentina S.A.	742	321	-	-	-	-	-	-	742	321
Ferragamo Brasil Roupas e Acessorios Ltda.	1,380	2,701	-	-	1	1	-	-	1,381	2,702
Total Central and South America	**28,005**	**24,225**	**-**	**-**	**42**	**13**	**-**	**-**	**28,047**	**24,238**
Total	**586,023**	**496,151**	**7,140**	**6,280**	**1,289**	**1,225**	**59,099**	**7,648**	**653,551**	**511,304**

(In thousands of Euro) SUBSIDIARIES	Purchase of finished products, raw materials, accessories and consumables		Costs for services		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Ferragamo France S.A.S.	15	26	120	292	135	318
Ferragamo Espana S.L.	63	37	2	-	65	37
Ferragamo (Suisse) SA	1,904	1,513	-	-	1,904	1,513
Ferragamo U.K. Limited	31	18	81	32	112	50
Ferragamo Retail Nederl. B.V.	22	21	-	-	22	21
Ferragamo Deutschland GmbH	30	36	-	-	30	36
Ferragamo Austria GmbH	7	-	-	-	7	-
Ferragamo Parfums S.p.A.	337	542	187	152	524	694
Ferragamo Monte-Carlo S.A.M.	4	3	-	-	4	3
Ferragamo Belgique SA	10	4	-	-	10	4
Total Europe	**2,423**	**2,200**	**390**	**476**	**2,813**	**2,676**
Ferragamo Hong Kong Ltd.	-	-	390	593	390	593
Ferragamo Retail HK Limited	-	-	-	7	-	7
Ferragamo Retail India Private Limited	-	-	51	47	51	47
Ferragamo Japan K.K.	6	64	763	648	769	712
Ferragamo Korea Ltd.	-	-	32	29	32	29
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	-	-	193	17	193	17
Ferragamo Australia Pty Ltd.	-	-	172	244	172	244
Ferragamo Retail Taiwan Limited	-	-	-	14	-	14
Total Asia Pacific	**6**	**64**	**1,601**	**1,599**	**1,607**	**1,663**
Ferragamo USA Inc.	-	-	2,683	1,667	2,683	1,667
Total North America	**-**	**-**	**2,683**	**1,667**	**2,683**	**1,667**
Ferragamo Latin America Inc.	-	-	-	754	-	754
Ferragamo Mexico S.de R.L. de C.V.	-	-	13	45	13	45
Total Central and South America	**-**	**-**	**13**	**799**	**13**	**799**
Total	**2,429**	**2,264**	**4,687**	**4,541**	**7,116**	**6,805**

39. Fees paid to Directors and Statutory Auditors

Directors

(In thousands of Euro)				2015					
				Fees					
Full name	**Position held**	**Term of office**	**End of term of office**	**for the position held**	**as committee members**	**Non-monetary benefits**	**Wages, bonuses and other incentives**	**Other fees**	**Total**
Ferruccio Ferragamo	Chairman	1.01-31.12	a)	668	-	b) c) d)	-	379	1,047
Michele Norsa	Managing Director	1.01-31.12	a)	1,128	-	b) c) d) e)	215	710	2,053
Giovanna Ferragamo	Deputy Chairman	1.01-31.12	a)	194	-		-	-	194
Fulvia Ferragamo	Director	1.01-31.12	a)	184	10		-	-	194
Leonardo Ferragamo	Director	1.01-31.12	a)	34	10		-	-	44
Francesco Caretti	Director	1.01-31.12	a)	268	-		-	-	268
Diego Paternò Castello di San Giuliano	Director	1.01-31.12	a)	283	-		-	-	283
Peter Woo Kwong Ching	Director	1.01-31.12	a)	-	-		-	-	-
Piero Antinori	Director	1.01-31.12	a)	33	-		-	-	33
Umberto Tombari	Director	1.01-31.12	a)	33	32		-	-	65
Marzio Saà	Director	1.01-31.12	a)	33	32		-	-	65
Chiara Ambrosetti	Director	24.04-31.12	a)	24	10		-	-	34
Lidia Fiori	Director	1.01-31.12	a)	33	17		-	-	50
Total				**2,915**	**111**		**215**	**1,089**	**4,330**

a) upon approval of the 2017 financial statements
b) car
c) mobile phone
d) insurance policies
e) accommodation

Statutory Auditors

(In thousands of Euro)			2015				
Full name	**Position held**	**Term of office**	**End of term of office**	**Fees for the position held**	**Other fees**	**Other fees received from subsidiaries**	**Total**
Fulvio Favini	Chairman	01.01-31.12	a)	64	8	-	72
Gerolamo Gavazzi	Acting Statutory Auditor	01.01-31.12	a)	48	-	-	48
Alessandra Daccò	Acting Statutory Auditor	01.01-31.12	a)	48	-	-	48
Total				**160**	**8**	**-**	**168**

a) upon approval of the 2016 financial statements

It should be noted that for Directors and Statutory Auditors no severance indemnities are envisaged.

40. Dividends

In order to implement the resolution of the Shareholders' Meeting of 24 April 2015, Salvatore Ferragamo S.p.A. paid Shareholders a single dividend of 0.42 Euro per share, relating to the profit for 2014, for a total amount of 70,732,200 Euro, with coupon detachment on 18 May 2015 and payment of the dividend as from 20 May 2015.

41. Commitments and risks

The breakdown of the risks and commitments is as follows:

(In thousands of Euro)	31 December 2015	31 December 2014
Sureties provided by third parties to third parties in the interests of the Company	3,642	3,459
Sureties provided by third parties to third parties in the interests of Group companies	3,820	3,977
Guarantees provided by the Company to third parties in the interests of Group companies	85,547	74,898
Total	**93,009**	**82,334**

The sureties provided by third parties in the interests of the Company consist of bank guarantees on lease contracts.
The sureties provided by third parties in the interests of Group companies mainly consist of: sureties issued by banks in favor of VAT authorities for reimbursements requested by Italian Group companies, sureties issued in favor of third parties on lease contracts entered into by Group companies.
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 and the remainder consists of bank guarantees on lease contracts, including a guarantee for US$ 6 million (equal to 5,511 thousand Euro) relating to a lease contract of the Ferragamo USA Group.

The following table shows the minimum future payments due at 31 December 2015 and 31 December 2014 relating to operating leases, broken down by expiry date:

(In thousands of Euro)	31 December 2015	31 December 2014
Within 1 year	14,706	14,276
1 to 5 years	44,461	36,056
Over 5 years	30,544	16,879
Total	**89,711**	**67,211**

42. Significant non-recurring events and transactions

During 2015, the Company did not carry out significant non-recurring transactions and no significant non-recurring events occurred.

43. 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.

44. Information on the direct and indirect subsidiaries of Salvatore Ferragamo S.p.A.

Direct and indirect subsidiaries of Salvatore Ferragamo S.p.A. are detailed below:

Company name	Location	Currency	Share capital	Controlling interest Direct	Controlling interest Indirect	Notes
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	6,172,735	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 Denmark ApS	Copenhagen, Denmark	Danish Krone	500,000	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 Latin America Inc.	Miami, United States	US Dollar	300,000	100%		(5)
Ferragamo St. Thomas Inc.	U.S. Virgin Island	US Dollar	1,201,000		100%	(4) (5)
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	2,969,107	95%	5%	(1)
Ferragamo Brasil Roupas e Acessorios Ltda.	Sao Paulo, Brazil	Brazilian Real	48,615,000	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.	Sidney, 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	150,000,000	51%		
Ferragamo Korea Ltd.	Seoul, South Korea	South Korean Won	3,291,200,000	80%		
Ferragamo (Singapore) Pte. Ltd	Singapore	Singapore Dollar	4,600,000	80%		
Ferragamo (Thailand) Limited	Bangkok, Thailand	Baht	100,000,000	80%		
Ferragamo (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	Malaysian Ringgit	1,300,000	80%		
Ferragamo Parfums S.p.A.	Florence, Italy	Euro	10,000,000	100%		
Ma.Ga Immobiliare S.r.l.	Florence, Italy	Euro	20,000	100%		

1 – Through Ferragamo USA Inc.
2 – Through Ferragamo Hong Kong Ltd.
3 – Through Ferrimag Limited
4 – Through Ferragamo Latin America Inc.
5 – Non-operating company in liquidation

Disclosure pursuant to art. 149-duodecies of the Issuers' Regulation

(In thousands of Euro) **Type of service**	**Subject which supplied the service**	**Recipient**	**Notes**	**Total fees for 2015**
Audit	Independent Auditors of the Parent company	Parent company		189
Tax assistance services	Network of the Independent Auditors of the Parent company	Parent company		14
Other services	Network of the Independent Auditors of the Parent company	Parent company	1	72
Total				**275**

1) The item refers mainly to IT support services and assistance under Law 262.

Significant events occurred after 31 December 2015

No significant events occurred after 31 December 2015.

Florence, 17 March 2016

On behalf of the Board of Directors

The Chairman
Ferruccio Ferragamo

Statement pursuant to paragraph 154 bis of Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance)

1. The undersigned Michele Norsa in his capacity as “Managing Director” and Marco Fortini 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 2015 period.

2. The adequacy of the administrative and accounting procedures for the preparation of the 2015 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 2015:

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.

17 March 2016

Managing Director
Michele Norsa

Manager charged with preparing Company’s Financial Reports
Marco Fortini

SALVATORE FERRAGAMO S.p.A.

Report of the Board of Statutory Auditors
for the Shareholders' Meeting pursuant to art. 153 of Legislative Decree no. 58/1998 (TUF, Testo Unico della Finanza, Consolidated Law on Finance) and art. 2429 of the Italian Civil Code.

Dear Shareholders,

During the year ended 31 December 2015 the Board of Statutory Auditors of Salvatore Ferragamo S.p.A. (hereafter also referred to as the Company) carried out the activities prescribed by law, also taking into account the CONSOB communication concerning corporate controls and the Regulations on the conduct of the Board of Statutory Auditors of listed companies recommended by the Italian National Board of Accountants and Auditors (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

SUPERVISORY AND CONTROL ACTIVITIES UNDERTAKEN BY THE BOARD OF STATUTORY AUDITORS

In 2015 the Board of Statutory Auditors held 11 meetings; in addition, it took part in the 8 meetings held by the Board of Directors, the 8 meetings of the Control and Risk Committee which operates also as Committee responsible for transactions with related parties and the 3 meetings of the Nomination and Remuneration Committee and in the Shareholders' Meeting.
The supervisory and control activities concerned:

1. Supervision of compliance with the law and the bylaws as well as information disclosure requirements as provided for by applicable laws, including corporate governance rules as detailed in the Code of Conduct issued by Borsa Italiana S.p.A. for listed companies.

2. Supervision over the principles of good administration: the Board of Statutory Auditors has ascertained, on the basis of the information obtained from the directors and corporate departments, that the most important income, financial and equity transactions approved and undertaken in the year were in keeping with the corporate purpose and were not manifestly imprudent, risky, or such as to compromise the integrity of corporate assets. In addition, the Board of Statutory Auditors:
    - determined that no atypical or unusual transactions were undertaken with Group companies, third parties or related parties;
    - oversaw that the transactions with subsidiaries and Related Parties were not contrary to the Company's interest and that the latter were undertaken in compliance with the Related Party Procedure approved by the Board of Directors and the law in force. The information provided by the Directors in the Directors' report on operations and in the Explanatory Notes, with regard to ordinary transactions of an equity, income and financial nature undertaken with subsidiaries and related parties at normal market conditions is adequate.

3. Adequacy of the organizational structure: the Board of Statutory Auditors oversaw the adequacy of the organizational structure, which was fully described in the Report on corporate governance and ownership structure, in relation to the size of the Company and the Group. According to the Board of Statutory Auditors this structure is adequate.
   In addition, the Board of Statutory Auditors undertook the following activities:
    - check of the correct application of the procedures adopted by the Board of Directors in order to assess the independence of its directors;

- periodic self-assessment of the requirements for the Board of Statutory Auditors' members as provided for by the law in force and the Corporate Governance Code, with particular reference to the independence requirement and no issues arose.

4. Adequacy of the administrative and accounting system and of the internal control system: the Board of Statutory Auditors' supervisory activity concerned the financial disclosure process and the effectiveness of the internal control and risk management system. The supervisory activity also concerned:
   a) periodic reports by the Manager responsible for corporate financial reporting concerning the financial disclosure process in compliance with the provisions of the Law on Savings 262/05 and the Internal Audit reports concerning activities undertaken in order to check the correct application of the procedural controls over accounting and administration risks;
   b) control over the statements of the Managing Director and the Manager responsible for corporate financial reporting pursuant to the provisions of art. 154-bis of the Consolidated Law on Finance;
   c) participation in the activities of the Control and Risk Committee and, when the issues discussed required it, this enabled the Board to deal with these issues jointly with the aforementioned Committee;
   d) examination of the Internal Audit interim and annual report concerning:
      - the activities undertaken by the Internal Audit department, the outcome of the checks and the resulting areas for improvement, for which suggestion on implementation and future monitoring is provided;
      - an overall assessment of the adequacy and effectiveness of the internal control system for the purposes of keeping risks within acceptable limits.
   e) reports on the integrated risk management system (Enterprise Risk Management);
   f) acknowledgment and obtaining of information on the organizational and procedural work undertaken pursuant to Legislative Decree no. 231/2001 on the administrative responsibility of entities and acknowledgment of the report of the Supervisory Board on the work undertaken during the year; information flows between the Board of Statutory Auditors and the Supervisory Body are also ensured by the fact that the Chairman of the Board of Statutory Auditors is also statutory member of the Supervisory Body.
   g) the acquisition of information from managers of corporate departments;
   h) verification of the instructions issued by the Company to subsidiaries, including non-EU entities, both in relation to the annual financial statements and interim reports, through meetings with corporate departments, independent auditors, and other supervisory bodies; in particular the Board ascertained that the information flows provided by non-EU subsidiaries were adequate to audit the annual and interim financial statements as required by article 36 of the Markets Regulation;
   i) analysis of documents relating to the activities carried out by the Supervisory Bodies of subsidiaries and the discussion of the results of the Independent Auditors' activities;
   j) conclusions reached by the Board of Directors, with the assistance of the Control and Risk Committee and supported by the Internal Audit department, which assessed the Group's internal control and risk management system as effective and judged it suitable for the business and risk profile as set out in the Report on corporate governance and ownership structure.

From the activities undertaken with the support of the Internal Audit department, no anomalies emerged that can be considered as indicators of significant inadequacies in the internal control and risk management system. The Board has no evidence of significant failings as regards the adequacy of the administrative and accounting procedures and the financial disclosure process of the Company and the Group. Finally, the Board believes that corporate procedures include adequate controls as regards transactions with related parties and/or involving a potential conflict of interest and that such controls are effective.

The Board of Statutory Auditors issued the opinions required by the current law which during 2015 concerned:

i. variable fees to be paid to executive directors and directors holding specific positions;
ii. the appointment of the Manager responsible for corporate financial reporting;
iii. the share capital increase carried out in May 2015 in relation to the 2012 Stock grant plan;
iv. and disclosure as required by the Law on the availability of capital reserves for the new 2016-2020 Stock Grant Plan that will be submitted to the Extraordinary Shareholders' Meeting of 21 April 2016.

The Board of Statutory Auditors did not receive any reports from Shareholders under art. 2408 of the Italian Civil Code or other petitions.

SUPERVISION OVER THE AUDIT AND THE PREPARATION OF THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

As required by art. 19 of Legislative Decree no. 39 of 27 January 2010, the Board of Statutory Auditors oversaw the work of the Independent Auditors and reports that:

a) as stated in the reports of the Independent Auditors Reconta Ernst & Young S.p.A., appointed by the Shareholders' Meeting to audit the Company's consolidated and separate financial statements, issued today, pursuant to art. 14 and 16 of Legislative Decree no. 39 of 27 January 2010, there are no exceptions or disclosure requests and the separate and consolidated financial statements as at 31 December 2015 clearly represent a true and fair view of the equity and financial position, results of operations, changes in shareholders' equity and cash flows of the Company and Group for the year ended as at that date, in compliance with the International Financial Reporting Standards (IFRS) adopted by European Union. In addition, in the opinion of the Independent Auditors, the Directors' report on operations of the Separate and Consolidated Annual Report and the information provided in the Report on corporate governance and ownership structure are in line with the separate and consolidated financial statements as at 31 December 2015;
b) Reconta Ernst Young S.p.A. also submitted the report (as per the third paragraph of art. 19 of Legislative Decree no. 39 of 27 January 2010) to the Board of Statutory Auditors (in its capacity as the Internal Control and Audit Committee), noting that, during the audit, no essential issues or significant failings in the internal control system had arisen in regard to the financial disclosure process;
c) the Statutory Auditors held periodic meetings with the Independent Auditors' managers, also pursuant to art. 150, paragraph 3, of the Consolidated Law on Finance, during which no facts or issues emerged which must be highlighted in this report;
d) the Independent Auditors submitted to the Board of Statutory Auditors a report attesting their independence and from which no circumstances arose which may undermine their independence or may be classified as grounds of incompatibility in compliance with the aforementioned Decree 39/2010;
e) Reconta Ernst & Young S.p.A. and the entities belonging to its network received the fees indicated in the table included in the consolidated and separate annual reports under the heading "Disclosure pursuant to art. 149-duodecies of the Issuers' Regulation". Services other than audit consist of tax assistance services and other services mainly concerning:

- IT support and assistance needed to analyze IT downtime which is sustainable by the business and the relevant recovery tests and analysis of data saving times both online and on a remote basis.
- support to the in-house team for the development and verification of the activities undertaken in compliance with Law 262/05.

Also taking account of the type and number of tasks assigned to the Independent Auditors' network by Salvatore Ferragamo S.p.A. and by Group companies, and of the provisions as set out in articles 10 and 17 of Legislative Decree no. 39/2010, the Board of Statutory Auditors did not record any problematic issue which compromised the independence of Independent Auditors.

In reference to the preparation of the separate and consolidated financial statements, the Board of Statutory Auditors checked their general structure, their compliance with legal provisions concerning basis of presentation and structure.
The Board of Statutory Auditors notes that on 17 March 2016, the Board of Directors, having also consulted the Control and Risk Committee, approved the results of the impairment tests, as required by the specific rules for the preparation of the separate financial statements.
Considering also the results of the activities undertaken by the Independent Auditors, the Statutory Auditors do not have any observations or particular proposals to be submitted to the Shareholders' Meeting, pursuant to art. 153, paragraph 2 of the Consolidated Law on Finance, and report no objections to the approval of the financial statements as at 31 December 2015 as submitted by the Board of Directors and of the resolutions proposed by the latter.

FINAL REMARKS

No findings emerged during the supervisory activity undertaken by the Board of Statutory Auditors and in relation to the information received; the Board of Statutory Auditors did not record any omissions, reprehensible situations or irregularities or circumstances such as to require notification in this report or to the Supervisory Authority.

Florence, 24 March 2016

THE BOARD OF STATUTORY AUDITORS

Fulvio Favini

Alessandra Daccò

Gerolamo Gavazzi

Building a better working world

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Independent auditor's report
in accordance with articles 14 and 16 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of Salvatore Ferragamo S.p.A.

Report on the financial statements

We have audited the accompanying financial statements of Salvatore Ferragamo S.p.A., which comprise the statement of financial position as at December 31, 2015, and the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Directors of Salvatore Ferragamo S.p.A. are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated 28 February 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11, paragraph 3 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Salvatore Ferragamo S.p.A. as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated 28 February 2005.

Report on other legal and regulatory requirements

Opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and Ownership Structure with the financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998, with the financial statements. The Directors of Salvatore Ferragamo S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Salvatore Ferragamo S.p.A. as at December 31, 2015.

Florence, March 24, 2016
Reconta Ernst & Young S.p.A.
Signed by: Marco Mignani, partner

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