Salvatore Ferragamo

Annual Report 2021

Salvatore Ferragamo Group
Annual Report
as at 31 December 2021

Salvatore Ferragamo S.p.A.
Florence

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 https://group.ferragamo.com/en/

Contents

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

Letter from the Chair

Salvatore Ferragamo is founded on deep-rooted values that have always characterized and inspired it – and that continue evolving and growing stronger.

For Salvatore Ferragamo, 2021 was a particularly significant year during which, rising to the daunting challenges posed by the pandemic, we laid the foundations for the beginning of a new chapter for our Company, to project it into the future with increased strength, professionalism, and passion. We are determined to fully realize the massive potential we have created in several years of hard and illuminated work, rife with examples and important values – relying on the extremely valuable human capital that Salvatore Ferragamo has in every corner of the globe.

This year, we appreciated even more the people working at Salvatore Ferragamo. Despite the day-to-day obstacles and anxiety caused by the pandemic, they continued showing their resolve, working every day with passion and resilience. This remarkable feat – so typical of a country such as Italy – confirms the priceless value of each individual at our Company.

Salvatore Ferragamo is founded on deep-rooted values that have always characterized and inspired it – and that continue evolving and growing stronger. Our relentless and growing focus on sustainability and social commitment – which are increasingly crucial to our operations – stems from these values.

The value of Made in Italy – which, for us, translates into heritage, global quality, passion, ambition, integrity, and creativity – continues informing our relations with our supply chain. The latter has worked alongside us for years now and represents a key asset as well as an inexhaustible source of knowledge and inspiration.

Despite the challenges posed by the pandemic, we continued to deliver on our important commitments in our communities, through projects supporting the arts and culture, health, and research – renewing our commitment to the young, which are crucial to start anew.

This is a new chapter in our history, which is to this day still inspired by the life of my father – who always managed to turn challenges into opportunities to grow. This is the vision that still drives us today and allows us to look to the future with confidence, determination, and newfound strength.

Leonardo Ferragamo,
Salvatore Ferragamo S.p.A. Chair

Board of Directors' report on operations

as at 31 December 2021

Board of Directors' report on operations as at 31 December 2021

Corporate boards

Board of Directors (1)	Leonardo Ferragamo (7) (13)	Chair
	Angelica Visconti (8) (13)	Deputy Chair
	Marco Gobbetti (9) (11)	Managing Director and General Manager
	Frédéric Biousse (10) (13) (14)	
	Giacomo Ferragamo (12)	
	Patrizia Michela Giangualano (13) (14)	
	Annalisa Loustau Elia (10) (13) (14)	
	Umberto Tombari (13) (14)	
	Peter Woo Kwong Ching (13)	
	Anna Zanardi Cappon (13) (14)	
Control and Risks Committee (2)	Patrizia Michela Giangualano	Chair
	Umberto Tombari	
	Anna Zanardi Cappon	
Nomination and Remuneration Committee (3)	Anna Zanardi Cappon (15)	Chair
	Umberto Tombari	
	Annalisa Loustau Elia (16)	
Board of Statutory Auditors (4)	Andrea Balelli	Chair
	Paola Caramella	Acting Statutory Auditor
	Giovanni Crostarosa Guicciardi	Acting Statutory Auditor
	Roberto Coccia	Substitute Statutory Auditor
	Antonella Andrei	Substitute Statutory Auditor

Independent Auditors [5]	KPMG S.p.A.
Manager charged with preparing Company's Financial Reports [6]	Alessandro Corsi

(1) The members of the Board of Directors, with the exceptions noted below, were appointed by the Shareholders' Meeting on 22 April 2021, which fixed their term of office at three years and, therefore, until the approval of the separate financial statements as at 31 December 2023. The directors Frederic Biousse and Annalisa Loustau Elia were co-opted pursuant to art. 2386, paragraph 1, of the Italian Civil Code by the Board of Directors on 29 September 2021 and, subsequently, the Shareholders' Meeting held on 14 December 2021 approved their appointment. The director Marco Gobbetti was co-opted pursuant to art. 2386, paragraph 1, of the Italian Civil Code by the Board of Directors on 14 December 2021, effective 1 January 2022, and will serve until the next Shareholders' Meeting, which was scheduled for 12 April 2022 as at the reporting date. During 2021, the following served as directors: (i) Marinella Soldi, through 27 July 2021, serving also as Chair of the Nomination and Remuneration Committee; (ii) Micaela le Divelec Lemmi, through 7 September 2021, serving also as Managing Director; and (iii) Michele Norsa, through 31 December 2021, serving also as Executive Deputy Chair.

(2) Appointed by the Board of Directors on 22 April 2021.

(3) Appointed by the Board of Directors on 22 April 2021 and comprised until 27 July 2021 of the directors Marinella Soldi (Chair), Anna Zanardi Cappon, and Umberto Tombari, and, since 29 September 2021, of the directors Anna Zanardi Cappon (Chair), Annalisa Loustau Elia, and Umberto Tombari.

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

(5) Appointed by the Shareholders' Meeting on 18 April 2019, at the reasoned proposal of the Board of Statutory Auditors, for the nine years from 2020 through 2028 and, therefore, until the approval of the financial statements as at 31 December 2028.

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

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

(8) Appointed as Deputy Chair by the Board of Directors on 14 December 2021, effective as from 1 January 2022.

(9) Co-opted as director pursuant to art. 2386, paragraph 1, of the Italian Civil Code by the Board of Directors on 14 December 2021, effective as from 1 January 2022 and serving until the next Shareholders' Meeting. The Board of Directors appointed him as Managing Director and General Manager on the same date.

(10) Previously co-opted pursuant to art. 2386, paragraph 1 of the Italian Civil Code by the Board of Directors on 29 September 2021, he was appointed as director by the Shareholders' Meeting on 14 December 2021 and will serve until the approval of the separate financial statements as at 31 December 2023.

(11) Executive director pursuant to the Corporate Governance Code for listed companies approved in January 2020 by the Corporate Governance Committee, as he is vested with management powers and holds executive positions in the Company.

(12) Executive director pursuant to the Corporate Governance Code, as he holds executive positions in the Company.

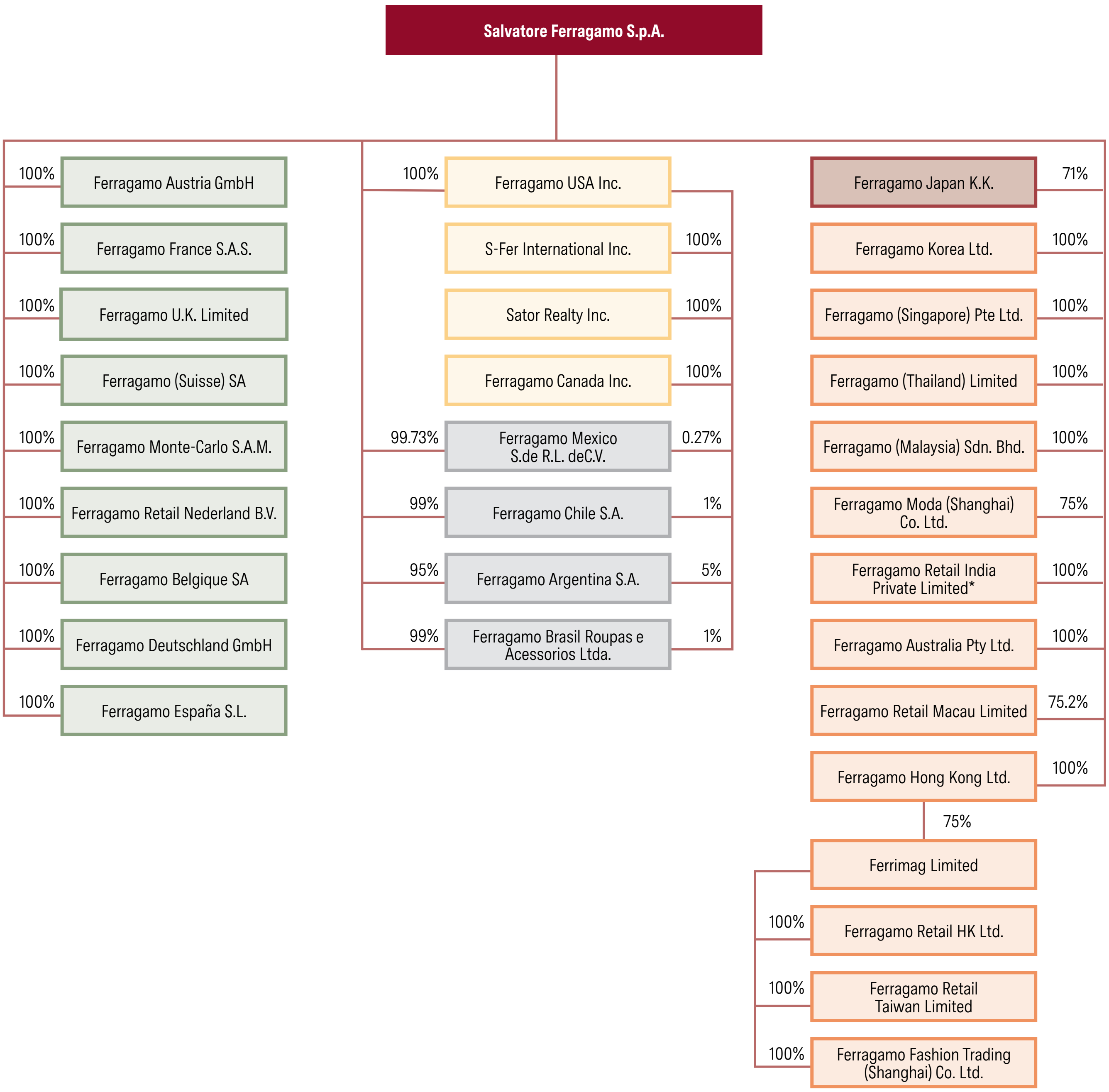
(13) Non-executive director.

(14) Independent director pursuant to article 147-ter, paragraph 4, and article 148, paragraph 3, of Italian Legislative Decree no. 58 of 24 February 1998 and the Corporate Governance Code.

(15) Appointed as Chair of the Nomination and Remuneration Committee by the Board of Directors on 29 September 2021, in place of the Director Marinella Soldi who resigned on 27 July 2021.

(16) Appointed to the Nomination and Remuneration Committee by the Board of Directors on 29 September 2021.

Group structure



Note

European companies

North America companies

Centre and South America companies

Asian Pacific companies

Japanese companies

* Non-operating company

Composition of the Salvatore Ferragamo Group

As at 31 December 2021, the Salvatore Ferragamo Group consists of Salvatore Ferragamo S.p.A. (the "Parent company" and the "Company") and the following subsidiaries – consolidated on a line by line basis – in which the Parent company holds majority stakes, both directly or indirectly, and which it controls.

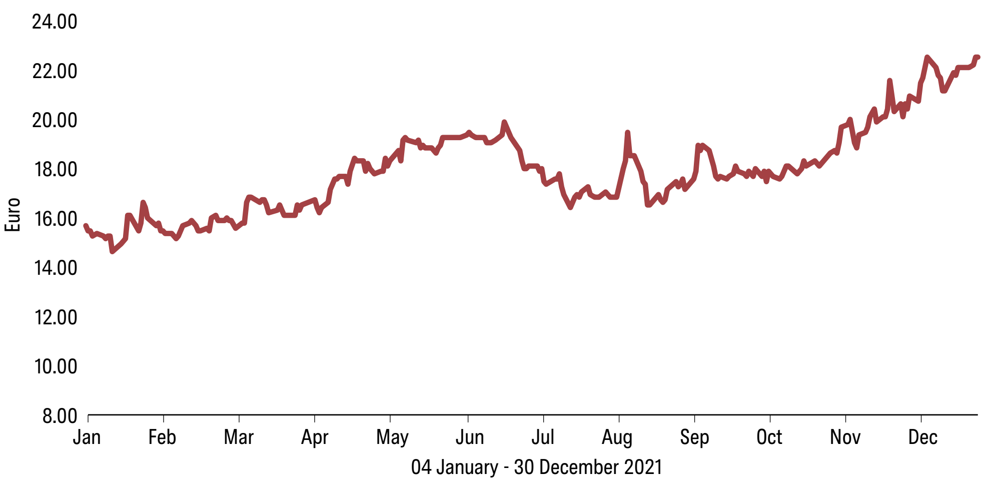
Salvatore Ferragamo S.p.A.	Parent company, owner of the "Ferragamo" and "Salvatore Ferragamo" brands, as well as of numerous other figurative and shape- trademarks; it undertakes production activities and distributes products through retail channels in Italy as well as wholesale channels in Italy and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

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

Official price as at 31 December 2021 in Euro	22.53
Minimum price as at 15 January 2021 in Euro [1]	14.53
Maximum price as at 10 December 2021 in Euro [1]	23.06
Stock Market capitalization as at 31 December 2021 in Euro	3,802,838,700
Number of shares making up the share capital as at 31 December 2021	168,790,000
Number of outstanding shares (free float)	48,354,927

Here below is the trend in Salvatore Ferragamo's share price during 2021.

Share price (Official price)



Alternative performance measures

In order to better assess its performance, the Salvatore Ferragamo Group makes use of some alternative performance measures which are not identified as accounting measures under IFRS. Therefore, the measurement basis applied by the Group may differ from that adopted by other groups, and the balance may not be comparable.

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

These alternative performance measures are derived exclusively from historical financial data and are determined in accordance with the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 and adopted by CONSOB with communication no. 92543 of 3 December 2015. They refer exclusively to the performance for the reporting period of this Annual Report as well as the comparative periods, and not to the Group's expected performance and are not to be considered as substitutes for IFRS measures.

The definitions of the alternative performance measures adopted in the Annual Report are provided below:

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

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

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

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

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

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

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

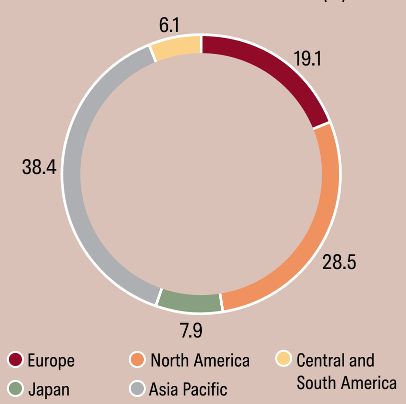
Adjusted cash flow from (used in) operating activities: it is *Net cash from (used in) operating activities net of Repayment of lease liabilities* (classified as *Cash flow from financing activities*).

1. The Group's main income and financial results for the year 2021

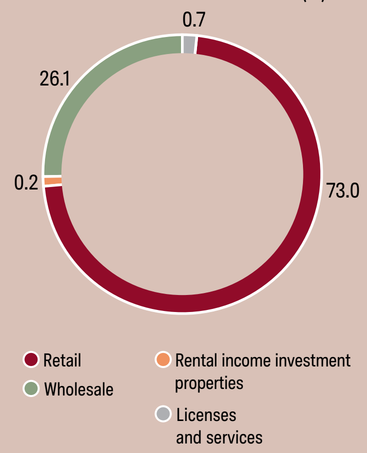
(In millions of Euro)	2021	2020 Restated*	% change 2021 vs 2020 Restated
Revenues	1,135.5	876.5	29.5%
Gross profit	780.9	551.3	41.7%
Gross profit %	68.8%	62.9%	
EBITDA	304.5	157.8	93.0%
EBITDA %	26.8%	18.0%	
Operating profit/(loss)	143.5	(62.8)	na
Operating profit/(loss) %	12.6%	(7.2%)	
Adjusted operating profit/(loss)	143.5	(28.1)	na
Adjusted operating profit/(loss) %	12.6%	(3.2%)	
Net profit/(loss) for the period	81.1	(71.7)	na
Net profit/(loss) – Group	*78.6*	*(66.4)*	*na*
Net profit/(loss) – minority interests	*2.5*	*(5.3)*	

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

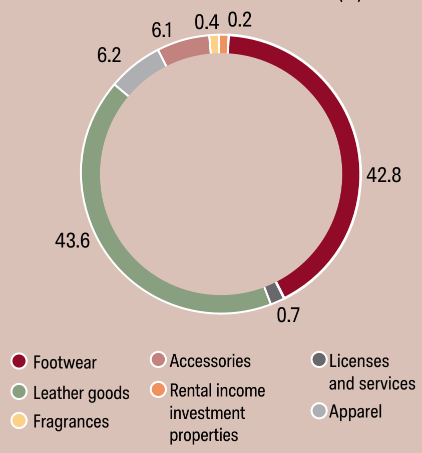
Revenue by geographic area as at 31 December 2021 (%)



Revenue by distribution channel as at 31 December 2021 (%)



Revenue by product category as at 31 December 2021 (%)



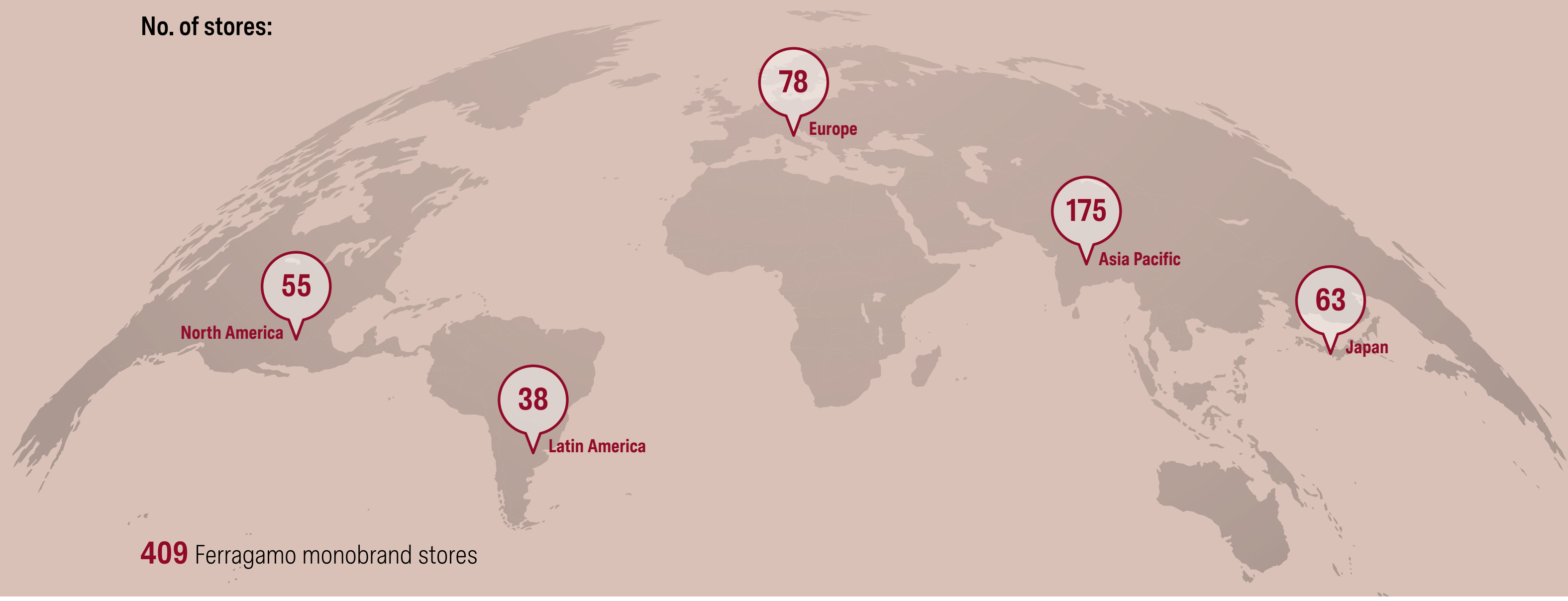
(In millions of Euro)	31 December 2021	31 December 2020
Investments in tangible/intangible assets*	44.2	29.4
Net working capital	199.4	314.6
Shareholders' equity	785.9	709.7
Adjusted net financial debt/(surplus)	(372.8)	(138.7)
Adjusted cash flow from (used in) operating activities	275.5	(5.2)

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

	31 December 2021	31 December 2020
Staff as at the reporting date	3,887	3,855
Number of DOS	409	395

Geographical distribution of monobrand stores (31 December 2021)

No. of stores:



409 Ferragamo monobrand stores

Disclaimer

This document contains forward-looking statements, in particular in the sections headed "Macroeconomic situation and outlook", "Significant events occurred after 31 December 2021", and "Consolidated Non-Financial Statement pursuant to Italian Legislative Decree 254/2016" relating to future events and the operating, income, financial, social, and environmental results of the Salvatore Ferragamo Group. These statements are based on the Salvatore Ferragamo Group's current expectations and forecasts regarding future events and, by their nature, involve risks and uncertainties, since they refer to events and depend on circumstances which may, or may not, happen or occur in the future. As such, they must not be unduly relied upon. The actual results could differ significantly from those contained in these statements due to a variety of factors, including the volatility and deterioration in the performance of securities and financial markets, changes in raw material prices, changes in macroeconomic conditions and in economic growth, and other changes in business conditions, in the legal and institutional framework (both in Italy and abroad), and many other factors, most of which are beyond the Group's control.

2. Introduction

The Parent company Salvatore Ferragamo S.p.A. is a legal entity set up under Italian law and, pursuant to art. 40, paragraph 2 bis, of Legislative Decree 127/91, it prepares the Directors' report on operations of both the Separate Financial Statements and the Consolidated Financial Statements in a single document.

The Directors' report on operations, in addition to the indicators required for financial statements, in compliance with International Financial Reporting Standards (IFRS), also includes some alternative performance measures used by management to monitor and assess the Group's performance, as detailed in a specific section. In addition, this Directors' report on operations includes the Consolidated Non-Financial Statement as required by Legislative Decree no. 254/2016 on non-financial statements about the following: environmental, social and employee-related matters, respect for human rights, and anti-corruption and bribery matters.

The transaction with Inter Parfums, Inc. for the transfer of the assets associated with the production and distribution of perfumes and fragrances ("fragrances business") and the exclusive licensing of the Salvatore Ferragamo brand was finalized on 1 October 2021. For more details, see the paragraph Significant events occurred during the year. Therefore, the fragrances business was classified first as operation to be disposed of, and then as discontinued operation. The income statement and the statement of other comprehensive income for the period ended 31 December 2020, presented as comparative information, were restated in this Annual Report to present the discontinued operation separately from continuing operations.

3. The Salvatore Ferragamo Group's activities

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

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

1. a network of single Salvatore Ferragamo brand stores, managed both directly (DOS) and by third parties (TPOS);
2. a significant and well-established presence in department stores and multibrand specialty stores.

As for the fragrances product category, until 30 September 2021 the Group oversaw the creation, development, and production (completely outsourced) of fragrances and related products under the Salvatore Ferragamo brand and, under license, the Ungaro brand; sales were managed directly by the Group (previously Ferragamo Parfums S.p.A., and then Salvatore Ferragamo S.p.A.), as well as third party distributors. Effective 1 October 2021, following the exclusive licensing of the Salvatore Ferragamo brand to Inter Parfums Inc., production and distribution operations are carried out by the Inter Parfums Inc. group by using the Salvatore Ferragamo brand under a license. For more details on the evolution of this operation, please refer to the paragraph Significant events occurred during the year.

The Group is also active in the licensing of the Salvatore Ferragamo brand and in real estate management.

History of the Group

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

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

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

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

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

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

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

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

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

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

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

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

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

1998 Launch of the Salvatore Ferragamo Fragrances and Eyewear lines.

2003 Realization of the first Salvatore Ferragamo watches.

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

2011 Salvatore Ferragamo S.p.A. is listed on the Mercato Telematico Azionario (screen-based stock exchange, currently known as Euronext Milan) organized and operated by Borsa Italiana S.p.A.

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

2021 Licensing of the Salvatore Ferragamo brand for the production and distribution of the Fragrances line.

Distinctive features of the Parent company and the Group

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

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

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

Global brand awareness

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

Sustainable Thinking

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

Ongoing search for quality applied to the whole product range

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

Consolidated, extended distribution network that is diversified across different channels

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

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

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

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

Strategy

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

The main guidelines can be summarized as follows:

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

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

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

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

- further expansion of its commercial presence in emerging countries, above all in Asia Pacific;

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

Optimization of the product range and the collection structure

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

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

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

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

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

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

The strategic/organizational model

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

The production system

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

The Group's operating model ensures flexibility and efficiency in the production and logistics cycle through the use of a broad network of selected and expert Italian manufacturers which have been working with the Group for many years. This strong integration between the Parent company Salvatore Ferragamo S.p.A. (the only manufacturing company in the Group) and the network of suppliers has enabled broad control to be maintained over the critical stages of the value chain in the production process.
With reference to production, the Group directly manages the product development and industrialization stage and usually undertakes quality controls, both during the production process and on 100% of the finished products.

The distribution system

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

The Group attributes great importance to monitoring distribution, which is done through: a network of directly operated Ferragamo single brand stores (DOS), which as at 31 December 2021 numbered 409 (the so-called retail channel), and a network of tailored single brand stores and/or stores-in-stores operated by third parties (TPOS), as well as through a multibrand channel (taken as a whole, the so-called wholesale channel).

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

Wholesale sales are targeted exclusively at retailers and, to a lesser extent, distributors.

Wholesale customers consist of:

- department stores and luxury specialist retailers, in order to strengthen the presence in countries where the Group has its own network of directly operated stores. The business in the United States is of particular importance;
- franchisees, which ensure a foothold in markets for which a direct retail presence is currently not possible or not deemed necessary, such as the Middle East, Russia, some areas of Africa, and some areas of the People's Republic of China;
- travel retail/duty free stores opened inside airports and other "duty free" locations.

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 2021, the composition of the Salvatore Ferragamo Group saw the following changes:

- on 16 April 2021, Salvatore Ferragamo S.p.A. and Ferragamo Parfums S.p.A. executed the deed of merger of Ferragamo Parfums S.p.A. into Salvatore Ferragamo S.p.A., filed with the Company Register on 21 April 2021. The merger is effective retroactively to 1 January 2021 for accounting and tax purposes and effective 1 May 2021 for legal purposes.
- On 8 September 2021, the company Parfums Italia S.r.l., wholly-owned by Salvatore Ferragamo S.p.A., was set up in Florence with a share capital of 10,000 Euro. On 27 September 2021, Salvatore Ferragamo S.p.A. - as the sole shareholder in Parfums Italia S.r.l. - approved a share capital increase from 10,000 Euro to 17,138,000 Euro reserved for the sole shareholder, to be carried out by the Company by contributing the assets and liabilities associated with the business of producing and distributing perfumes and fragrances. The share capital increase and the contribution in kind became effective on the date the relevant resolution was filed with the relevant Company Register, i.e., 30 September 2021. The transfer of said business to the group headed by Inter Parfums, Inc. closed on 1 October 2021, with the sale of all shares in the newly-established entity Parfums Italia S.r.l. to Inter Parfums, Inc. at a price equal to the value of the entity's equity and with the grant of an exclusive global license to produce and distribute Salvatore Ferragamo-branded fragrances. The fragrances business was classified first as operation to be disposed of and then as discontinued operation, as required under IFRS 5.

For more details, see the paragraph "Significant events occurred during the year", note 5 Business combinations and purchases of minority interests, and note 6 Discontinued operation of the Consolidated Financial Statements.

Effect of exchange rate changes on operations

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

2021 saw US interest rates trending upwards as well as rising economic growth and inflation expectations, which caused the dollar to appreciate – especially in the last few months of the year, as the Fed decided to withdraw monetary stimulus measures and hike rates in 2022.
The EUR/USD pair shifted from 1.23 in January to 1.13 at the end of the year, with an average exchange rate of 1.18.

The CNY weakened against the dollar in the first half of the year, with a high of 6.57 in May. In the following months, the Yuan appreciated and eventually hit 6.35. Meanwhile, the Yuan maintained its relative strength against the Euro in the first half of the year and then consolidated its position in the last quarter, hitting a low of 7.16. The average exchange rate for the year was 7.63.

Optimism about a global economic recovery and the widening spread with US yields caused the Japanese currency to depreciate: the EUR/JPY exchange rate rose from 126.6 in January to 130 at the end of the year, with peaks at around 134 in June.

The South Korean Won, correlated with the balance of trade and exports, hovered around an average of 1354 against the Euro and ended the year at 1346. Meanwhile, the currency gradually depreciated against the dollar, from around 1080 in January to 1190 at the end of the year.

Finally, after a bout of severe volatility and weakness, the Mexican Peso jumped as the dollar temporarily lost strength. Against the Euro, it shifted from 24.3 in January to a high of 25.6 in March and then ended the year at 23.1, as interest rates and oil prices rose. The USD/MXN exchange rate rose from 19.7 in January to 20.4 at the end of the year, with an average of 20.3 for 2021.

4. The Group's operating performance

Over the last two years, the world economy has been significantly affected by the outbreak of the pandemic caused by the novel coronavirus, known as Covid-19. 2021 was also dominated by the Covid-19 pandemic, which continued affecting the world economy and limiting travel and international tourism. The impact has varied across markets, which were influenced by several factors – including the containment measures taken by the various governments, the different timing of when variants of the virus spread, and the progress on vaccination campaigns, which are still ongoing.

Against a backdrop that remains uncertain, the Salvatore Ferragamo Group's results for the year 2021 point to a remarkably positive trend in both revenues (+29.5% at current exchange rates and +31.4% at constant exchange rates compared to 2020) and margins, driven by the retail channel's strong performance (+30.2% at current exchange rates compared to 2020, accounting for 73.0% as a percentage of total revenues). In 2021, gross profit amounted to 68.8% as a proportion of revenues, up from 62.9% in the prior year – which had been severely affected by the contraction in revenues and the write-down of inventory. Adjusted operating profit/(loss) (Operating profit/(loss) adjusted for the impairment losses resulting from impairment tests performed in 2020, totaling 34.6 million Euro) was up from a 28.1 million Euro loss in 2020 to a 143.5 million Euro adjusted operating profit in 2021, as the improvement in gross margin was more than proportionate to the rise in operating costs supporting growth. Similarly, the net profit for the year from continuing operations amounted to 86.3 million Euro, compared to a loss of 72.8 million Euro loss in the prior-year period. The Group posted an 81.1 million Euro net profit for the period, compared to a 71.7 million Euro net loss for the prior year.

The Group's adjusted net financial position (surplus), totaling 372.8 million Euro, remained robust and positive, up compared to both 31 December 2020, when it amounted to 138.7 million Euro, and 30 September 2021 (265.2 million Euro). Said positive performance was primarily driven by the adjusted cash flow generated from operating activities throughout 2021.

The following table shows the main income statement data.

(In thousands of Euro)	2021	% of Revenues	2020 Restated*	% of Revenues	% change
Revenues	**1,135,520**	**100.0%**	**876,512**	**100.0%**	**29.5%**
Gross profit	**780,944**	**68.8%**	**551,314**	**62.9%**	**41.7%**
Style, product development and logistics costs	(40,908)	(3.6%)	(34,712)	(4.0%)	17.8%
Sales & distribution costs	(407,844)	(35.9%)	(406,981)	(46.4%)	0.2%
Marketing & communication costs	(66,379)	(5.8%)	(50,533)	(5.8%)	31.4%
General and administrative costs	(126,304)	(11.1%)	(121,726)	(13.9%)	3.8%
Other operating costs	(22,714)	(2.0%)	(22,698)	(2.6%)	0.1%
Other income and revenues	26,685	2.4%	22,571	2.6%	18.2%
Total operating costs (net of other income)	**(637,464)**	**(56.1%)**	**(614,079)**	**(70.1%)**	**3.8%**
Operating profit/(loss)	**143,480**	**12.6%**	**(62,765)**	**(7.2%)**	**na**
Net financial income and charges	(20,862)	(1.8%)	(18,142)	(2.1%)	15.0%
Profit before taxes	**122,618**	**10.8%**	**(80,907)**	**(9.2%)**	**na**
Income Taxes	(36,289)	(3.2%)	8,129	0.9%	na
Profit/(loss) from continuing operations	**86,329**	**7.6%**	**(72,778)**	**(8.3%)**	**na**
Profit/(loss) from discontinued operation, net of tax	(5,192)	(0.5%)	1,082	0.1%	na
Net profit/(loss) for the period	**81,137**	**7.1%**	**(71,696)**	**(8.2%)**	**na**
Net profit/(loss) – Group	78,647	6.9%	(66,397)	(7.6%)	na
Net profit/(loss) – minority interests	2,490	0.2%	(5,299)	(0.6%)	na
Amortization, depreciation and write-downs	161,049	14.2%	220,542	25.2%	(27.0%)
EBITDA	**304,529**	**26.8%**	**157,777**	**18.0%**	**93.0%**
Write-downs resulting from impairment tests in the wake of the extraordinary impact of the Covid-19 pandemic	-	-	(34,627)	-	(100.0%)
Adjusted operating profit/(loss)	**143,480**	**12.6%**	**(28,138)**	**(3.2%)**	**na**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

Please note that, because of the classification of the production and selling of the fragrances product category first as operation to be disposed of, and then as discontinued operation – for more details, see the paragraph Significant events occurred during the year – the income statement and the relevant detailed statements for the period ended 31 December 2020, presented as comparative information, were restated to present the discontinued operation separately from continuing operations.

In 2021, **revenues** reached 1,135,520 thousand Euro, compared to 876,512 thousand Euro in 2020, up 29.5%. The four main currencies other than the Euro in which the Group generates most of its revenues, i.e., US dollar, Chinese Renminbi, South-Korean Won, and Japanese Yen, performed as follows in 2021 compared to the previous year: the US dollar depreciated by 3.5% (2), the Japanese Yen depreciated by 6.6% (3), the South-Korean Won depreciated by 0.6% (4), and the Chinese Renminbi appreciated by 3.1% (5) against the Euro, the currency in which the amounts in the consolidated financial statements are expressed. Revenues were up 31.4% at constant exchange rates (applying the 2021 average exchange rate to the revenues for 2020 – net of the hedging impact). With reference to the fourth quarter of 2021 only, revenues amounted to 350,179 thousand Euro, up 20.8% compared to the prior-year period (+23.5% at constant exchange rates). Currency hedges of revenues resulted in a negative 332 thousand Euro adjustment to revenues in 2021, compared to a positive 6,734 thousand Euro adjustment in 2020.

In 2021 **gross profit** totaled 780,944 thousand Euro, up 41.7% from 551,314 thousand Euro in the prior year. Gross profit amounted to 68.8% as a percentage of revenues, compared to 62.9% in 2020, as sales volumes rose and the retail channel accounted for a greater share of total revenues; conversely, the contraction in sales and the write-down of inventory resulting from the Covid-19 pandemic had weighed on gross profit in 2020. In the fourth quarter of 2021 alone, the Group generated 249,231 thousand Euro in gross profit, up 29.9% from 191,830 thousand Euro in the prior-year period. Gross profit rose as a percentage of revenues to 71.2%, compared to 66.2% in the fourth quarter of 2020.

Total **operating costs** (net of other income) amounted to 637,464 thousand Euro in 2021, up 3.8% from 2020 (614,079 thousand Euro), and totaled 56.1% as a percentage of revenues. The increase in total operating costs, supporting the growth in revenues, was limited thanks to the steps promptly taken by the Group's management as soon as in 2020 to mitigate the negative impact of the crisis triggered by the Covid-19 pandemic. Specifically, the Group continued benefiting from negotiations to revise the terms and conditions of the leases of its distribution network, resulting in a 6,785 thousand Euro positive variable lease payment in 2021 (19,729 thousand Euro in 2020). In addition, in 2021 Other income benefited from the 5.1 million Euro insurance payout that Ferragamo Usa Inc. received for the damage caused to some stores in North America during the protests that took place in the second quarter of 2020. Thanks to the positive results for 2021 across all areas in which the Group operates, it was not necessary to measure and recognize impairment losses on tangible and intangible assets in addition to those recognized in 2020, when total operating costs included a 34,627 thousand Euro loss resulting from the impairment tests conducted to measure the recoverable amount of the Group's tangible and intangible assets. In the fourth quarter of 2021, total net operating costs increased from 185,459 thousand Euro to 190,227 thousand Euro, up 2.6% compared to the prior-year period; as a percentage of revenues, they declined from 64.0% in 2020 to 54.3% in 2021.

(2) With reference to the average Euro/Usd exchange rate in 2021	1.1827;	2020	1.1422
(3) With reference to the average Euro/Usd exchange rate in 2021	129.877;	2020	121.846
(4) With reference to the average Euro/Usd exchange rate in 2021	1,354.06;	2020	1,345.57
(5) With reference to the average Euro/Usd exchange rate in 2021	7.6282;	2020	7.8747

Thanks to the growth in gross profit, **EBITDA** rose from 157,777 thousand Euro in 2020 to 304,529 thousand Euro (+93.0%), amounting to 26.8% as a percentage of revenues compared to 18.0% in 2020. In the fourth quarter of 2021, EBITDA totaled 102,616 thousand Euro, compared to 79,967 thousand Euro in the prior-year period, and accounted for 29.3% of revenues, compared to 27.6% in the fourth quarter of 2020.

The Group reported an **Adjusted operating profit** (Operating profit/(loss) adjusted for the impairment losses resulting from impairment tests performed in 2020) of 143,480 thousand Euro, compared to a 28,138 thousand Euro adjusted operating loss for 2020. In the fourth quarter of 2021 the Group reported an adjusted operating profit of 59,004 thousand Euro, compared to 31,730 thousand Euro in the fourth quarter of 2020 (up 86.0%), totaling 16.8% as a percentage of revenues, compared to 10.9% in the same period last year.

Net financial income and charges shifted from 18,142 thousand Euro in charges in 2020 to 20,862 thousand Euro in charges in 2021. In the fourth quarter of 2021, the Group posted 5,324 thousand Euro in net financial charges, compared to 7,394 thousand Euro in net financial income in the same period in 2020, which included 7.5 million Euro in interest earned on the refund that Ferragamo USA Inc. received for excess import duties paid between 1995 and 1997.

The 122,618 thousand Euro profit before taxes gave rise to 36,289 thousand Euro in **income taxes**, with an estimated effective tax rate of 29.6%. In 2020, income taxes were positive 8,129 thousand Euro, mainly because of the positive impact of deferred tax assets. These were largely attributable to the deferred tax assets recognized on tax losses by Salvatore Ferragamo S.p.A. and other entities of the Group.

In 2021, the Group posted a **Net loss from discontinued operation net of taxes** of 5,192 thousand Euro, compared to a profit of 1,082 thousand Euro for the prior year. This referred to the fragrances business: under the agreement with Inter Parfums, Inc., this was transferred effective 1 October 2021 with the grant of an exclusive global license to produce and distribute Ferragamo-branded fragrances. For more details, please refer to the paragraph Significant events occurred during the year.

The Group reported an 81,137 thousand Euro consolidated **net profit** for 2021, compared to a 71,696 thousand Euro net loss for 2020. The Group share amounted to a consolidated profit of 78,647 thousand Euro, compared to a 66,397 thousand Euro loss in the prior year. With reference to the fourth quarter of 2021, net profit totaled 41,283 thousand Euro, compared to 24,360 thousand Euro in the fourth quarter of 2020.

The Group ended 2021 with an **adjusted net financial surplus** of 372,759 thousand Euro, up from a 138,743 thousand Euro surplus as at 31 December 2020. In the fourth quarter of 2021, the adjusted net financial position increased from a 265,220 thousand Euro surplus as at 30 September 2021 to 372,759 thousand Euro at the end of the year, up 107,539 thousand Euro thanks to 121.0 million Euro in adjusted cash flows from operating activities for the period and 17.1 million Euro in proceeds from the sale of the discontinued operation, net of 18.0 million Euro in cash flows used for investments in the fourth quarter.

Revenues

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

(In thousands of Euro)	2021	% of Revenues	2020 Restated*	% of Revenues	% change	at constant exchange rates % change
Europe	217,054	19.1%	179,134	20.5%	21.2%	19.0%
North America	323,558	28.5%	188,679	21.5%	71.5%	82.6%
Japan	90,144	7.9%	86,901	9.9%	3.7%	8.1%
Asia Pacific	436,222	38.4%	371,874	42.4%	17.3%	16.9%
Central and South America	68,542	6.1%	49,924	5.7%	37.3%	42.5%
Total	**1,135,520**	**100.0%**	**876,512**	**100.0%**	**29.5%**	**31.4%**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

Although it was impacted by store closures in the first half of the year and is still affected by limited tourist flows, Europe saw revenues rise by 21.2% at current exchange rates and 19.0% at constant exchange rates year-on-year (+29.7% at constant exchange rates in the fourth quarter alone), thanks especially to growth in the retail channel.

In North America, revenues were up 71.5% at current exchange rates (82.6% at constant exchange rates), and rose by +48.8% in the fourth quarter of 2021 alone (+58.8% at constant exchange rates), driven by growth in both the wholesale and retail channels thanks to the resilience and strong recovery of domestic demand.

Japan saw revenues grow by 3.7% at current exchange rates and 8.1% at constant exchange rates. The country is still negatively affected as international traffic has not resumed yet while the pandemic rages on and the relevant restrictions remain in place.

The Asia-Pacific region reported growth of 17.3% at current exchange rates (+16.9% at constant exchange rates). It is the market that contributed once again the most to Group revenues, accounting for 38.4% of the total compared to 42.4% as at 31 December 2020.

The Central and South American market was up 37.3% at current exchange rates and 42.5% at constant exchange rates in 2021 (+16.1% at constant exchange rates in the fourth quarter alone), thanks especially to growth in the retail channel. The revenues generated in 2021 and 2020 by Ferragamo Argentina S.A. (which operates in a country classified as a hyperinflationary economy since 1 July 2018) were adjusted in accordance with the relevant international accounting standards (see note 2 "Basis of presentation" in the Explanatory Notes to the Consolidated Financial Statements), resulting in a positive impact of 243 thousand Euro in 2021 and 153 thousand Euro in 2020.

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

(In thousands of Euro)	2021	% of Revenues	2020 Restated*	% of Revenues	% change	at constant exchange rates % change
Retail	829,515	73.0%	637,083	72.7%	30.2%	32.2%
Wholesale	295,898	26.1%	230,114	26.2%	28.6%	30.3%
Licenses and services	7,746	0.7%	7,062	0.8%	9.7%	9.7%
Rental income investment properties	2,361	0.2%	2,253	0.3%	4.8%	8.5%
Total	**1,135,520**	**100.0%**	**876,512**	**100.0%**	**29.5%**	**31.4%**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

In 2021, retail sales were up 30.2% at current exchange rates and 32.2% at constant exchange rates, benefiting from the recovery of directly operated stores seen mainly in China, North America, Latin America, Japan, and South Korea. The retail channel accounted for 72.7% of total revenues in 2020 and 73.0% in 2021.

Compared to the situation as at 31 December 2020, the number of directly operated stores (DOS) rose by 14 units from 395 to 409.

The wholesale channel saw sales rise by 28.6% at current exchange rates and 30.3% at constant exchange rates, largely weighed down by the slowdown in the Travel Retail segment.

In 2021, revenues from licenses and services increased by 9.7% at both current and constant exchange rates; this item mainly consists of royalties for the licensing of the Salvatore Ferragamo brand to the Marchon group in the eyewear industry, the Timex group in the watch industry, and, since October 2021, the Inter Parfums group in the fragrances industry.

Revenues from rental income investment properties refer solely to the management of property located in the United States and leased/sub-leased to third parties; the item increased by 4.8% at current exchange rates and 8.5% at constant exchange rates.

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

(In thousands of Euro)	2021	% of Revenues	2020 Restated*	% of Revenues	% change	at constant exchange rates % change
Footwear	486,087	42.8%	374,729	42.8%	29.7%	32.1%
Leather goods	495,683	43.6%	388,643	44.3%	27.5%	28.9%
Apparel	70,087	6.2%	50,218	5.7%	39.6%	41.6%
Accessories	69,243	6.1%	50,802	5.8%	36.3%	38.2%
Fragrances	4,313	0.4%	2,805	0.3%	53.8%	57.4%
Licenses and services	7,746	0.7%	7,062	0.8%	9.7%	9.7%
Rental income investment properties	2,361	0.2%	2,253	0.3%	4.8%	8.5%
Total	**1,135,520**	**100.0%**	**876,512**	**100.0%**	**29.5%**	**31.4%**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

All main product categories saw a significant increase in turnover compared to 2020, with footwear and leather goods accounting for 42.8% and 43.6% of turnover in 2021, respectively (up 29.7% and 27.5%, respectively, at current exchange rates).

Cost of goods sold and gross profit

(In thousands of Euro)	2021	% of Revenues	2020 Restated*	% of Revenues	% change
Consumables	(231,034)	(20.3%)	(179,668)	(20.5%)	28.6%
Services	(116,775)	(10.3%)	(139,418)	(15.9%)	(16.2%)
Personnel	(6,753)	(0.6%)	(6,097)	(0.7%)	10.8%
Depreciation and amortization	(14)	(0.0%)	(15)	(0.0%)	(6.7%)
Cost of goods sold	**(354,576)**	**(31.2%)**	**(325,198)**	**(37.1%)**	**9.0%**
Gross profit	**780,944**	**68.8%**	**551,314**	**62.9%**	**41.7%**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

In 2021, the **cost of goods sold** amounted to 354,576 thousand Euro, up 9.0% compared to 2020. In 2021, gross profit as a percentage of revenues stood at 68.8%, compared to 62.9% in 2020, thanks to the strong growth in revenues and the fact that the retail channel accounted for a greater share of total revenues; the write-down of inventory and the contraction in sales had largely weighed on 2020.

Style, product development and logistics costs

(In thousands of Euro)	2021	% of Revenues	2020 Restated*	% of Revenues	% change
Purchases	(4,066)	(0.4%)	(3,565)	(0.4%)	14.1%
Services	(12,077)	(1.1%)	(8,953)	(1.0%)	34.9%
Personnel	(21,674)	(1.9%)	(19,240)	(2.2%)	12.7%
Depreciation and amortization	(3,091)	(0.3%)	(2,954)	(0.3%)	4.6%
Total	**(40,908)**	**(3.6%)**	**(34,712)**	**(4.0%)**	**17.8%**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

These costs, which include the expenses of the creative departments and for the freight to deliver the products to their sales markets, were up 17.8% compared to 2020, supporting the growth in revenues.

Sales & distribution costs

(In thousands of Euro)	2021	% of Revenues	2020 Restated*	% of Revenues	% change
Retail	(380,852)	(33.5%)	(379,254)	(43.3%)	0.4%
Wholesale	(19,025)	(1.7%)	(19,939)	(2.3%)	(4.6%)
Distribution logistics	(7,967)	(0.7%)	(7,788)	(0.9%)	2.3%
Total	**(407,844)**	**(35.9%)**	**(406,981)**	**(46.4%)**	**0.2%**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

The costs relating to the network of directly operated stores (DOS) slightly rose (+0.4%) from 379,254 thousand Euro to 380,852 thousand Euro; in 2020 this item included 30,979 thousand Euro in impairment losses on tangible and intangible assets resulting from the impairment tests conducted in 2020 to measure the recoverable amount of these assets for the Group. The increase in the costs relating to the network of directly operated stores, supporting the growth in revenues, was limited also thanks to the steps promptly taken by the Group's management as soon as in 2020 to mitigate the negative impact of the crisis triggered by the Covid-19 pandemic. Specifically, the Group continued benefiting from negotiations to revise the terms and conditions of the leases of its distribution network, resulting in a 6,694 thousand Euro positive variable lease payment in 2021 that was directly recognized through profit or loss within the line item Sales and distribution costs (19,471 thousand Euro in 2020). The impact of these costs on total sales and distribution costs declined from 43.3% in 2020 to 33.5% in 2021.

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

(In thousands of Euro)	2021	% of Revenues	2020 Restated*	% of Revenues	% change
Purchases	(6,084)	(0.5%)	(4,530)	(0.5%)	34.3%
Services	(146,836)	(12.9%)	(112,353)	(12.8%)	30.7%
Personnel	(131,592)	(11.6%)	(113,993)	(13.0%)	15.4%
Depreciation and amortization	(123,332)	(10.9%)	(145,126)	(16.6%)	(15.0%)
Write-downs of tangible/intangible assets	-	-	(30,979)	(3.5%)	(100.0%)
Total	**(407,844)**	**(35.9%)**	**(406,981)**	**(46.4%)**	**0.2%**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

Marketing & communication costs

(In thousands of Euro)	2021	% of Revenues	2020 Restated*	% of Revenues	% change
Purchases	(1,007)	(0.1%)	(1,188)	(0.1%)	(15.2%)
Services	(53,218)	(4.7%)	(39,408)	(4.5%)	35.0%
Personnel	(11,972)	(1.1%)	(9,720)	(1.1%)	23.2%
Depreciation and amortization	(182)	(0.0%)	(215)	(0.0%)	(15.3%)
Write-downs of tangible/intangible assets	-	-	(2)	(0.0%)	(100.0%)
Total	**(66,379)**	**(5.8%)**	**(50,533)**	**(5.8%)**	**31.4%**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

Total marketing and communication costs rose by 31.4% year-on-year, from 50,533 thousand Euro to 66,379 thousand Euro, and amounted to 5.8% in both years as a proportion of revenues.

General and administrative costs

(In thousands of Euro)	2021	% of Revenues	2020 Restated*	% of Revenues	% change
Purchases	(1,866)	(0.2%)	(1,494)	(0.2%)	24.9%
Services	(50,031)	(4.4%)	(43,735)	(5.0%)	14.4%
Personnel	(39,977)	(3.5%)	(35,246)	(4.0%)	13.4%
Depreciation and amortization	(34,430)	(3.0%)	(37,162)	(4.2%)	(7.4%)
Write-downs of tangible/intangible assets	-	-	(4,089)	(0.5%)	(100.0%)
Total	**(126,304)**	**(11.1%)**	**(121,726)**	**(13.9%)**	**3.8%**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

Compared to 2020 general and administrative costs were up 3.8%; as a percentage of revenues, they fell from 13.9% in 2020 to 11.1% in 2021. Costs for services include, among others, the fees paid to the Board of Directors as well as other amounts accrued by the Managing Director and Executive Deputy Chair.

Other operating costs

(In thousands of Euro)	2021	% of Revenues	2020 Restated*	% of Revenues	% change
Losses on disposal of tangible and intangible assets	(734)	(0.1%)	(1,477)	(0.2%)	(50.3%)
Windfall losses	(715)	(0.1%)	(653)	(0.1%)	9.5%
Provisions for risks and charges	(2,170)	(0.2%)	(1,382)	(0.2%)	57.0%
Write-down of current assets	(672)	(0.1%)	(885)	(0.1%)	(24.1%)
Other operating costs	(18,423)	(1.6%)	(18,301)	(2.1%)	0.7%
Total	**(22,714)**	**(2.0%)**	**(22,698)**	**(2.6%)**	**0.1%**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

Other operating costs were in line with the previous year and declined to 2.0% from 2.6% in 2020 as a percentage of revenues. Other operating costs included 15,599 thousand Euro in Other non-income taxes (15,420 thousand Euro in 2020), largely related to the real estate tax on the Ferragamo Usa Group's properties. The write-down of current assets was down compared to the prior year (-24.1%). Provisions for risks and charges increased by 788 thousand Euro compared to 2020. They mainly refer to labor and legal disputes related to ongoing legal proceedings as well as the estimated potential outflows from the Group companies required to reach a pre-litigation settlement.

Other income and revenues

(In thousands of Euro)	2021	% of Revenues	2020 Restated*	% of Revenues	% change
Other income and revenues	25,074	2.2%	16,907	1.9%	48.3%
Gains on disposal of tangible/intangible assets	49	0.0%	8	0.0%	>100%
Windfall profit	1,562	0.1%	5,656	0.6%	(72.4%)
Total	**26,685**	**2.4%**	**22,571**	**2.6%**	**18.2%**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

Other income and revenues rose by 4,114 thousand Euro compared to 2020, down from 2.6% to 2.4% as a proportion of total revenues.

"Other income and revenues" included the Research and Development, design and aesthetic conception, and technological innovation tax credits, as well as the tax credit for non-residential property lease payments and the "Art Bonus" tax credit for donations in support of cultural activities, which the Parent company was eligible for, as well as other benefits provided by the various governments in the countries where the Group operates to help businesses and the economy deal with the economic crisis triggered by the Covid-19 pandemic. In addition, this line item largely comprised the recovery and reimbursement of expenses, advertising contributions, grants received from lessors for leasehold improvements recognized on a straight-line basis over the lease term, and insurance claims payments. In 2021, the latter included the 5.1 million Euro insurance payout that Ferragamo Usa Inc. received for the damage caused to some stores in North America during the protests that took place in the second quarter of 2020.

Windfall profit was down 4,094 thousand Euro from 2020, when it included the 4.1 million Euro refund that Ferragamo USA Inc. received for excess import duties paid between 1995 and 1997, as the request filed in 1999 was fully granted.

Net financial income and charges

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

(In thousands of Euro)	2021	2020 Restated*	Change 2021 vs 2020 Restated
Net interest	(632)	7,256	(7,888)
Other net income/(charges)	(2,744)	(1,359)	(1,385)
Net interest and expenses on lease liabilities	(13,467)	(14,370)	903
Net gains/(losses) on exchange rate differences	12,265	(19,646)	31,911
Net financial income/(charges) for fair value adjustment of derivatives	(16,284)	9,977	(26,261)
Total	**(20,862)**	**(18,142)**	**(2,720)**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

Total Net financial income and charges amounted to 20,862 thousand Euro in charges, deteriorating by 2,720 thousand Euro compared to 2020; specifically, in 2020 the line item Net interest included 7,530 thousand Euro in interest income received by Ferragamo USA Inc. for the refund of excess import duties paid between 1995 and 1997, as the request filed in 1999 was fully granted.

Net interest and expenses on lease liabilities were down from 14,370 thousand Euro in 2020 to 13,467 thousand Euro in 2021.

Net gains and losses on exchange rate differences mainly reflect the impact of commercial transactions in foreign currency. Changes in net gains and losses should be correlated with the item "Net financial income/(charges) for fair value adjustment of derivatives", which refers to the premium or discount on transactions to hedge the exchange rate risk undertaken by the Parent company and the changes in the fair value of non-hedging derivatives. The net impact of these two line items, Net gains/(losses) on exchange rate differences and Net financial income/(charges) for fair value adjustment of derivatives, shifted from a negative 9,669 thousand Euro in 2020 to a negative 4,019 thousand Euro in 2021.

Income Taxes

The change in income taxes was as follows:

(In thousands of Euro)	2021	2020 Restated*	Change 2021 vs 2020 Restated
Profit/(loss) before taxes	**122,618**	**(80,907)**	**203,525**
Current and deferred taxes	(36,039)	9,645	(45,684)
Use/(Provision) for taxes from previous years	(250)	(2,844)	2,594
Taxes from previous years	-	1,328	(1,328)
Tax rate	**29.6%**	**na**	

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

The effective tax rate for 2021 was 29.6%. In 2020, income taxes had an 8,129 thousand Euro net positive impact, primarily because of net deferred tax assets, which were largely attributable to the deferred tax assets recognized on tax losses by the Parent company Salvatore Ferragamo S.p.A. and some subsidiaries.

In 2021, Salvatore Ferragamo S.p.A. realigned the tax value of know-how (under intangible assets) and goodwill, both recognized in 2020 following the business combination of Arts S.r.l. and Aura 1 S.r.l., so as to recognize said items for tax (IRES and IRAP) purposes, recognizing a 1,778 thousand Euro substitute tax under current taxes and a 3,477 thousand Euro deferred tax asset under deferred taxes.

The Provision for taxes from previous years included 250 thousand Euro in 2021 and 2,870 thousand Euro in 2020 set aside by Ferragamo France S.A.S. for the tax audit relating to the tax years 2008-2010 that started in 2011; for more details, see "Significant events occurred during the year - Tax and customs disputes and audits".

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

(In thousands of Euro)	2021	% of Revenues	2020 Restated*	% of Revenues
Net profit/(loss) for the period	**81,137**	**7.1%**	**(71,696)**	**(8.2%)**
Net profit/(loss) – Group	78,647	6.9%	(66,397)	(7.6%)
Net profit/(loss) – minority interests	2,490	0.2%	(5,299)	(0.6%)

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

The net profit for the period amounted to 81,137 thousand Euro, and the Group reported a consolidated profit of 78,647 thousand Euro, compared to a loss of 66,397 thousand Euro in 2020.

Statement of financial position and Investments

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

(In thousands of Euro)	31 December 2021	31 December 2020	% change
Property, plant and equipment, investment property, intangible assets with a finite useful life and goodwill	257,179	260,515	(1.3%)
Right-of-use assets	500,047	475,240	5.2%
Net working capital	199,358	314,552	(36.6%)
Other non current assets/(liabilities), net	78,321	91,973	(14.8%)
Other current assets/(liabilities), net	(24,543)	(3,418)	>100%
Net invested capital	**1,010,362**	**1,138,862**	**(11.3%)**
Group shareholders' equity	764,313	693,582	10.2%
Minority interests	21,566	16,114	33.8%
Shareholders' equity (A)	**785,879**	**709,696**	**10.7%**
Net financial debt/(surplus) (B)	**224,483**	**429,166**	**(47.7%)**
Total sources of financing (A+B)	**1,010,362**	**1,138,862**	**(11.3%)**
Net financial debt/(surplus) (B)	**224,483**	**429,166**	**(47.7%)**
Lease liabilities (C)	597,242	567,909	5.2%
Adjusted net financial debt/(surplus) (B-C)	**(372,759)**	**(138,743)**	**>100%**
Adjusted net financial debt(surplus)/ Shareholders' equity	**(47.4%)**	**(19.5%)**	

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

(In thousands of Euro)	31 December 2021	31 December 2020	% change
Property, plant and equipment	186,854	183,121	2.0%
Investment property	30,223	31,824	(5.0%)
Goodwill	6,679	6,679	-
Intangible assets with a finite useful life	33,423	38,891	(14.1%)
Total	**257,179**	**260,515**	**(1.3%)**

The item Property, plant and equipment as at 31 December 2021 consisted of:

- the Sesto Fiorentino industrial complex, the portions of the American properties used in operating activities, and the property owned in Seoul, for a total net value of 86,051 thousand Euro;
- furnishings and renovation work for the chain of directly operated stores, totaling 67,224 thousand Euro;
- other assets, mainly for IT equipment, plant and equipment and tangible assets in progress, for a total net value of 33,579 thousand Euro.

Investment property represents the part of the American properties which is not used for operations and producing income through rental. As at 31 December 2021, following the introduction of the accounting standard IFRS16, this item included also Right-of-use assets relating to lease contracts for property leased in the United States, amounting to 25,044 thousand Euro.

The amount of Goodwill was entirely acquired in 2020 through the business combination of Arts S.r.l. and Aura 1 S.r.l. – for details, see note 5 Business Combinations of the Consolidated Financial Statements as at 31 December 2020 – and is attributable to the synergies and other economic benefits arising from the combination of the assets of the acquirees with those of Salvatore Ferragamo S.p.A., with respect to the design and manufacturing of men's footwear.

Intangible assets with a finite useful life largely consist of capitalized costs for the development of business software applications (SAP, ERP, reporting systems, shipping system, e-commerce platform), the know-how acquired in the business combination with Arts S.r.l. and Aura1 S.r.l., finalized in 2020 (for a net residual value of 4,984 thousand Euro as at 31 December 2021), and the costs incurred to acquire the right to enter into shop rental contracts (the so-called key money, for a net residual value of 602 thousand Euro as at 31 December 2021). The remainder refers to registration expenses for trademarks, industrial patents and intellectual property rights (software licenses) and intangible assets with a finite useful life in progress.

Investments in fixed assets

In 2021, the Group made investments in tangible and intangible assets (excluding the costs for the restoration of premises leased from third parties, recognized as fixed assets pursuant to the relevant contractual obligations) totaling 44,156 thousand Euro, including 36,467 thousand Euro in tangible assets and 7,689 thousand Euro in intangible assets, compared to a total of 29,370 thousand Euro in the prior year (excluding the costs for the restoration of premises leased from third parties, recognized as fixed assets pursuant to the relevant contractual obligations).

The most important investments in tangible assets were made in the opening and refurbishment of stores (33.3 million Euro, approximately 91% of total investments in tangible assets). The main investments in intangible assets refer to the development of software to support business processes, including investments in the e-commerce platform (1.5 million Euro overall, approximately 19% of total investments in intangible assets) and the RIO "Regional Inventory Optimization" project (completed in 2021), intended to optimize the regional retail stock as part of the new distribution model.

Investments in tangible assets under construction, amounting to 7.9 million Euro, mainly concerned the investments made for the refurbishment and opening of new stores which were not yet operational as at the reporting date.

Investments in intangible assets under development totaled 3.3 million Euro and largely consisted of investments in the development of software to support business processes, including: the "New POS Solution" project, aimed at introducing the new cash register and back office system, Oracle Xstore, for the Group's retail channel, the "Marlin Project" aimed at standardizing the Group's retail information systems relying on SAP, and the continued development of the e-commerce project.
During 2021, the Group did not make any investments in financial assets.

Amortization and depreciation (excluding depreciation of the Right-of-use assets) totaled 51,253 thousand Euro as at 31 December 2021, down from 67,085 thousand Euro in 2020 (-23.6%).

Right-of-use assets

The item, totaling 500,047 thousand Euro as at 31 December 2021, refers to the "Right-of-use assets" recognized against "Lease liabilities" following the application of the accounting standard IFRS16.

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

Net working capital

Below is the breakdown and change in net working capital as at 31 December 2021 compared with 31 December 2020.

(In thousands of Euro)	31 December 2021	31 December 2020	% change
Inventories and Right of return assets	279,790	346,181	(19.2%)
Trade receivables	112,670	113,909	(1.1%)
Trade payables and Refund Liabilities	(193,102)	(145,538)	32.7%
Total	**199,358**	**314,552**	**(36.6%)**

Net working capital was down 36.6% compared to 31 December 2020, mainly because of the decline in Inventories. This was partly attributable to greater operational efficiency and partly caused by the disposal of inventories associated with the fragrances business, totaling 15,340 thousand Euro (for more details, see the paragraph Significant events occurred during the year 2021), and the increase in Trade payables and Refund Liabilities.

Specifically, inventories of finished products were down 69,658 thousand Euro compared to 31 December 2020 (-22.7%), which was attributable to greater operational efficiency and partly to the disposal of finished products associated with the fragrances business, totaling 6,616 thousand Euro.
Raw materials for production were up 7.5% or 2,588 thousand Euro compared to 31 December 2020, and depend on production volumes for the period.

Trade receivables declined by 1,239 thousand Euro from 31 December 2020 (-1.1%) and essentially referred to sales in the wholesale channel.

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

Other non current assets/(liabilities), net

(In thousands of Euro)	31 December 2021	31 December 2020	% change
Other non current assets	5,732	2,518	127.6%
Other non current financial assets	15,659	15,574	0.5%
Deferred tax assets	105,468	119,656	(11.9%)
Total other non current assets	**126,859**	**137,748**	**(7.9%)**
Provisions for risks and charges	(20,732)	(14,401)	44.0%
Employee benefit liabilities	(8,970)	(11,867)	(24.4%)
Other non current liabilities	(15,456)	(12,564)	23.0%
Deferred tax liabilities	(3,380)	(6,943)	(51.3%)
Total other non current liabilities	**(48,538)**	**(45,775)**	**6.0%**
Other non current assets/(liabilities), net	**78,321**	**91,973**	**(14.8%)**

"Other non current assets" mainly consist of:

- the straight lining of rental income from the American real estate business for 726 thousand Euro (792 thousand Euro in 2020);
- the non current portion of prepaid expenses, largely related to contributions to customers relating to the fit-out of tailored single brand stores and/or stores-in-stores for 3,091 thousand Euro;
- as at 31 December 2020, the portion of receivables due after more than 12 months relating to the advance fees for Ungaro fragrances totaled 650 thousand Euro and was sold in 2021 to the Inter Parfums Inc group as part of the sale of the fragrances business.

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

"Deferred tax assets" largely refer to taxes calculated on the reversal of unrealized intragroup profits in inventories and to temporary differences between the profit/(loss) for the period and the taxable income of the Group companies; the decrease compared to 31 December 2020 was largely attributable to the use of previous tax losses of Salvatore Ferragamo S.p.A., the reduction in deferred tax assets on the provision for obsolete inventory, and the reversal of unrealized intragroup profits in inventories.

"Deferred tax liabilities" largely refer to temporary differences between the profit/(loss) for the period and the taxable income of the Group companies. They were down 3,563 thousand Euro from 31 December 2020, largely because of the reduction in deferred tax assets on the cash flow hedge reserve.

"Other non-current liabilities", up 2,892 thousand Euro from 31 December 2020, largely refer to the straight-lining of the non current portion of amounts received from lessors for the costs incurred to fit out the stores (14,492 thousand Euro as at 31 December 2021).

Other current assets/(liabilities), net

(In thousands of Euro)	31 December 2021	31 December 2020	% change
Tax receivables	27,512	15,974	72.2%
Other current assets	32,606	35,944	(9.3%)
Total other current assets	**60,118**	**51,918**	**15.8%**
Tax payables	(25,732)	(25,974)	(0.9%)
Other current liabilities	(58,929)	(29,362)	100.7%
Total other current liabilities	**(84,661)**	**(55,336)**	**53.0%**
Other current assets/(liabilities), net	**(24,543)**	**(3,418)**	**618.1%**

"Other current assets" mainly consist of:

- receivables due from credit card management companies for retail sales (12,359 thousand Euro), accrued income and prepaid expenses (10,025 thousand Euro), and advances to suppliers (2,331 thousand Euro);
- the 2,567 thousand Euro IRES receivable due from the Holding company Ferragamo Finanziaria S.p.A. of Salvatore Ferragamo S.p.A. under the domestic fiscal unity;
- the fair value measurement of hedging derivative contracts for 326 thousand Euro (6,878 thousand Euro in 2020) entered into by the Parent company to manage exchange rate risk on sales in currencies other than the Euro.

"Other current liabilities" mainly consist of:

- the fair value measurement of hedging derivative contracts for 15,206 thousand Euro (1,653 thousand Euro in 2020) entered into by the Parent company to manage exchange rate risk on sales in currencies other than the Euro;
- payables to employees for amounts accrued but not yet paid, payables to social security institutions for contributions to be paid in the period immediately after the reporting date, provisions at the end of the reporting period for other payables to suppliers, accrued expenses and deferred income.

Shareholders' equity

(In thousands of Euro)	31 December 2021	31 December 2020	% change
Group shareholders' equity	764,313	693,582	10.2%
Minority interests	21,566	16,114	33.8%
Total	**785,879**	**709,696**	**10.7%**

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

- the 78,647 thousand Euro increase in the profit for the period;
- the 14,950 thousand Euro increase attributable to the translation into Euro of the financial statements of subsidiaries denominated in other currencies, and the 346 thousand Euro increase resulting from other translation effects;
- the 12,756 thousand Euro decline resulting from the purchases of Salvatore Ferragamo S.p.A shares made by the Parent during 2021;
- the 11,527 thousand Euro decrease resulting from the valuation of hedging derivatives net of the relevant tax effect;
- minor positive effects totaling 1,071 thousand Euro.

Net financial debt

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

(In thousands of Euro)	31 December 2021	31 December 2020	% change
Cash and cash equivalents (A)	511,796	327,880	56.1%
Other current financial assets (B)	596	566	5.3%
Interest-bearing loans and borrowings (C)	139,120	186,000	(25.2%)
Other financial liabilities (D)	513	3,703	(86.1%)
Lease liabilities (E)	597,242	567,909	5.2%
Net financial debt/(surplus) (C + D +E – A – B)	**224,483**	**429,166**	**(47.7%)**

Net financial debt as at 31 December 2021, including lease liabilities, declined from 429,166 thousand Euro as at 31 December 2020 to 224,483 thousand Euro as at 31 December 2021, including 597,242 thousand Euro related to current and non current lease liabilities, largely because of the decrease in interest-bearing loans and borrowings as well as the increase in cash and cash equivalents during the period. During 2021, the Group used part of its cash surpluses to repay one of the main outstanding medium/long-term loans early, for an amount of 40,000 thousand Euro, thus reducing its bank debt.

Net financial debt, excluding lease liabilities, as at 31 December 2021 and 2020 was restated as follows:

(In thousands of Euro)	31 December 2021	31 December 2020	Change 12.21 vs 12.20
Net financial debt/(surplus) (a)	**224,483**	**429,166**	**(204,683)**
Non current lease liabilities	487,230	464,400	22,830
Current lease liabilities	110,012	103,509	6,503
Lease liabilities (b)	**597,242**	**567,909**	**29,333**
Adjusted net financial debt/(surplus) (a-b)	**(372,759)**	**(138,743)**	**(234,016)**

The Group ended 2021 with a positive adjusted net financial position of 372,759 thousand Euro, up 234,016 thousand Euro from the prior year. This was largely due to a positive 275,462 thousand Euro in adjusted cash flows from operating activities (positive 135,599 thousand Euro in 2019, negative 5,242 thousand Euro in 2020), the proceeds from the sale of the discontinued operation, net of cash sold (17,128 thousand Euro), the cash flows used for the purposes of investing in tangible and intangible assets during 2021 (44,489 thousand Euro), and the payment of deferred consideration for the acquisition of Arts S.r.l. and Aura 1 S.r.l (3,629 thousand Euro) in 2021.

Income and financial indicators

The tables below set out the trend in the main income and financial indicators for the years ended 31 December 2021 and 2020.

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

Profitability ratios	2021	2020 Restated*
ROE (Group net profit/(loss) for the period/average Group shareholders' equity)	10.8%	(9.1%)
ROI (Operating profit/(loss) / Net average invested capital)	13.4%	(5.2%)
ROS (Operating profit/(loss) / Revenues)	12.6%	(7.2%)

Financial ratios	2021	2020
Coverage of shareholders' equity ratio (Shareholders' equity / Non current assets)	88.9%	81.2%
ILiquidity ratio (Current assets excluding inventories/Current liabilities)	148.8%	136.7%

Turnover ratios expressed in days	2021	2020 Restated*
Turnover of trade receivables (Average value of Trade receivables in the period / Revenues x days)	36	54
Turnover of Trade payables (Average value of Trade payables in the period / Purchases of goods and services x days)	94	115
Inventory turnover (Average value of Inventories in the period / Cost of goods sold x days)	317	410
Turnover of Average invested capital (Average value of Net invested capital / Revenues x days)	345	506

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

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 2021, to which reference should be made. They have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and endorsed by the European Union, as well as in compliance with the provisions issued in implementation of art. 9 of Legislative Decree no. 38/2005.

The following table shows the main income statement indicators.

(In thousands of Euro)	2021	% of revenues	2020	% of revenues	% change
Revenues from sales (wholesale, retail, e-commerce)	541,649	96.0%	538,075	95.9%	0.7%
Revenues from royalties	6,473	1.2%	7,112	1.3%	(9.0%)
Other income and services	15,881	2.8%	15,871	2.8%	0.1%
Revenues from contracts with customers	**564,003**	**100.0%**	**561,058**	**100.0%**	**0.5%**
Change in inventories of finished products	(21,823)	(3.9%)	(13,492)	(2.4%)	61.7%
Costs for raw materials, goods and consumables	(150,135)	(26.6%)	(158,819)	(28.3%)	(5.5%)
Costs for services	(202,286)	(35.9%)	(202,628)	(36.1%)	(0.2%)
Personnel costs	(70,173)	(12.4%)	(58,910)	(10.5%)	19.1%
Amortization, depreciation and write-downs	(40,206)	(7.1%)	(44,309)	(7.9%)	(9.3%)
Other operating costs	(34,894)	(6.2%)	(131,133)	(23.4%)	(73.4%)
Other income and revenues	15,709	2.8%	9,105	1.6%	72.5%
Total costs (net of other income and revenues)	**(503,808)**	**(89.3%)**	**(600,186)**	**(107.0%)**	**(16.1%)**
Operating profit/(loss)	**60,195**	**10.7%**	**(39,128)**	**(7.0%)**	**na**
Net financial (charges)/income	(9,043)	(1.6%)	(12,572)	(2.2%)	(28.1%)
Profit/(loss) before taxes	**51,152**	**9.1%**	**(51,700)**	**(9.2%)**	**na**
Income Taxes	(11,482)	(2.0%)	17,630	3.1%	na
Tax rate	*22.4%*		*34.1%*		
Net profit/(loss) from continuing operations	**39,670**	**7.0%**	**(34,070)**	**(6.1%)**	**na**
Net profit/(loss) from discontinued operations	(6,870)	(1.2%)	-		na
Net profit/(loss) for the period	**32,800**	**5.8%**	**(34,070)**	**(6.1%)**	**na**
EBITDA	**100,401**	**17.8%**	**5,181**	**0.9%**	**>100%**

The results for 2021, which mark an improvement over 2020, are still negatively affected by the Covid-19 pandemic. Specifically, the absence of tourist flows as well as more or less strict restrictions and closures across the world continued weighing on the Company's wholesale and retail channel. The Company's **revenues** totaled 564,003 thousand Euro, up 0.5% from 561,058 thousand Euro in 2020.

The Company continued implementing a series of steps and actions to contain costs launched in 2020. This resulted in a significant improvement in **operating profit**, totaling 60,195 thousand Euro, compared to a 39,128 thousand Euro loss in 2020. This result was influenced by the Advance Pricing Agreement for EBIT adjustments, giving rise to 27,933 thousand Euro in net operating costs (125,925 thousand Euro in 2020), that Salvatore Ferragamo S.p.A. applies to its foreign subsidiaries that perform distribution operations.

EBITDA was up 95,220 thousand Euro from 5,181 thousand Euro to 100,401 thousand Euro, and from 0.9% in 2020 to 17.8% in 2021 as a percentage of revenues.

The following table shows **net financial income and charges** and the change compared to 2020. 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)	2021	2020	Change 2021 vs 2020
Dividends from investments	10,564	49,365	(38,801)
Net financial income/(charges) for fair value adjustment of derivatives	(16,180)	11,332	(27,512)
Restatement value/(write-downs) of investments	(10,837)	(46,158)	35,321
Net gains/(losses) on exchange rate differences	11,186	(24,503)	35,689
Net interest expense on lease liabilities	(2,870)	(3,159)	289
Other net income/(charges)	(1,493)	(1,050)	(443)
Net interest	587	1,601	(1,014)
Total	**(9,043)**	**(12,572)**	**3,529**

Total Net financial income and charges improved over 2020, totaling 9,043 thousand Euro in charges compared to 12,572 thousand Euro in charges in the prior year. Net gains and losses on exchange rate differences mainly reflect the impact of commercial transactions in foreign currency. Changes in net gains and losses should be correlated with the item "Net financial income/(charges) for fair value adjustment of derivatives", which refers to the premium or discount on transactions to hedge the exchange rate risk undertaken by the Company and the changes in the fair value of non-hedging derivatives.

The 51,152 thousand Euro **profit before taxes** caused the Company to recognize 11,483 thousand

Euro in taxes (with a 22.4% tax rate), whereas in 2020 the Company had posted a 51,700 loss before taxes, recognizing 17,630 thousand Euro in positive taxes, mainly because of the recognition of 11,080 thousand Euro in deferred tax assets on tax losses.

In the first half of 2021, the Company applied for the tax realignment schemes – "standard scheme" for know-how and "special scheme" for goodwill – to obtain the recognition of said items, recognized in 2020 following the acquisition and subsequent merger of Arts S.r.l. and Aura 1 S.r.l., for tax (IRES and IRAP) purposes. This caused the company to recognize a 1,778 thousand Euro substitute tax under current taxes and a 3,477 thousand Euro deferred tax asset in 2021.

Please note that in 2020 the Company had notified the Inland Revenue Office that it would withdraw its application for an extension of the benefit known as "Patent box", thus intending to enter into the "Patent Box" self-assessment regime and assess the amount of the benefit on its own. No reduction in direct tax expense was expected for 2020, as the Company had reported a tax loss for the year, whereas in 2021, following recent regulatory changes, the Company did not consider said benefit when calculating its tax expense, as it will be able to determine the amount of the benefit only after conducting a thorough analysis of eligible costs and the required documentation. For more details, please refer to "Significant events occurred during the year - Patent Box and Research and development, design, and innovation credits".

The **net loss from discontinued operations net of taxes** totaled 6,870 thousand Euro and referred to the fragrances business. Under the agreement with Inter Parfums, Inc., this was transferred first to Parfums Italia S.r.l. (entity established on 08 September 2021) and then, through the sale of 100% of the newly-established entity effective 1 October 2021, transferred with the grant of an exclusive global license to produce and distribute Ferragamo-branded fragrances. Salvatore Ferragamo recognized the result of the fragrances business in 2021 as a result of the merger of Ferragamo Parfums S.p.A. into Salvatore Ferragamo S.p.A., therefore the comparative information related to said business for 2020 was not restated. For more details, please refer to the paragraph Significant events occurred during the year.

The Company reported a 32,800 thousand Euro **net profit for the period**, a significant improvement compared to a 34,070 thousand Euro loss in 2020.

Revenues

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

(In thousands of Euro)	2021	% of revenues	2020	% of revenues	% change
Wholesale	500,332	88.7%	508,727	90.7%	(1.7%)
Retail+E-commerce	41,317	7.3%	29,348	5.2%	40.8%
Revenues from sales	**541,649**	**96.0%**	**538,075**	**95.9%**	**0.7%**
Revenues from royalties	6,473	1.2%	7,112	1.3%	(9.0%)
Other income and services	15,881	2.8%	15,871	2.8%	0.1%
Revenues	**564,003**	**100.0%**	**561,058**	**100.0%**	**0.5%**

Wholesale revenues refer mainly to sales to Group companies and, to a lesser extent, sales to retailers. They were slightly down year-on-year because of the lingering negative effects of the pandemic as well as the negative impact of currency hedges (in 2020, this had made a positive contribution to the line item).

Retail + e-commerce sales, referring to the revenues generated from directly operated stores (DOS) in Italy and e-commerce sales in Europe, were up 40.8% from 2020, as both the retail channel and e- commerce sales performed positively (+23.0%).

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

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

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

(In thousands of Euro)	2021	% of revenues from sales	2020	% of revenues from sales	% change
Italy	96,266	17.8%	81,120	15.1%	18.7%
Europe (excluding Italy)	70,803	13.1%	81,623	15.2%	(13.3%)
North America	124,377	23.0%	127,161	23.6%	(2.2%)
Asia Pacific	193,408	35.7%	177,259	32.9%	9.1%
Japan	27,634	5.1%	40,298	7.5%	(31.4%)
Central and South America	29,161	5.4%	30,614	5.7%	(4.7%)
Revenues from sales	**541,649**	**100.0%**	**538,075**	**100.0%**	**0.7%**

In 2021, the Italian market grew by 18.7% compared to 2020, whereas Europe registered a 13.3% decrease, with the retail and e-commerce channel up 40.8% year-on-year and the wholesale business contracting by 5.7%. Both areas were still severely affected by the restrictions on business operations and international traffic that remained in place in most European countries also throughout 2021.

The other geographies were also still negatively affected by the restrictions and bans on business operations resulting from the continuing global pandemic.

Specifically, revenues in the North-American market were down 2.2%; meanwhile, the Asia-Pacific area made once again the largest contribution to the Company's revenues, accounting for 35.7% of the total, and saw revenues rise by 9.1% from 2020.

Revenues fell by 31.4% in Japan and 4.7% in Central and South America.

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

(In thousands of Euro)	2021	% of revenues from sales	2020	% of revenues from sales	% change
Footwear	227,444	42.0%	233,365	43.4%	(2.5%)
Leather goods	246,130	45.4%	233,316	43.4%	5.5%
Apparel	37,183	6.9%	43,159	8.0%	(13.8%)
Accessories and other products	30,892	5.7%	28,235	5.2%	9.4%
Revenues from sales	**541,649**	**100.0%**	**538,075**	**100.0%**	**0.7%**

The leather goods and accessories and other products categories were up 5.5% and 9.4%, respectively, whereas footwear and apparel were down from 2020; footwear and leather goods accounted for the lion's share of total revenues from sales, 87.4%.

Statement of financial position and Investments

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

(In thousands of Euro)	31 December 2021	31 December 2020	% change
Property, plant and equipment, intangible assets with a finite useful life, and goodwill	136,028	147,050	(7.5%)
Right-of-use assets	104,744	95,735	9.4%
Net working capital	89,119	113,621	(21.6%)
Other non current assets/(liabilities), net	115,813	146,624	(21.0%)
Other current assets/(liabilities), net	(13,575)	4,596	na
Net invested capital	**432,129**	**507,626**	**(14.9%)**
Shareholders' equity (A)	**665,822**	**656,730**	**1.4%**
Net financial debt/(surplus) (B)	**(233,693)**	**(149,104)**	**56.7%**
Total sources of financing (A+B)	**432,129**	**507,626**	**(14.9%)**
Net financial debt/(surplus) (B)	**(233,693)**	**(149,104)**	**56.7%**
Lease liabilities (C)	111,629	101,700	9.8%
Adjusted net financial debt/(surplus) (B-C)	**(345,322)**	**(250,804)**	**37.7%**
Adjusted net financial debt/Shareholders' equity	**(51.9%)**	**(38.2%)**	

Investments in fixed assets

During 2021, the Company made investments in tangible and intangible assets for a total amount of 12,020 thousand Euro, of which 4,729 thousand Euro in tangible assets and 7,291 thousand Euro in intangible assets, compared to a total of 8,224 thousand Euro in the previous year.

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

The main investments in intangible assets refer to the development of software to support business processes, including investments in the e-commerce platform and the RIO "Regional Inventory Optimization" project (finalized in 2021 and launched in 2020 to optimize the regional retail stock as part of the new distribution model), and the purchase of software licenses.

Investments in tangible assets under construction amounted to 0.7 million Euro and mainly concerned works yet to be completed at the Osmannoro-Sesto Fiorentino facility.

Investments in intangible assets under development totaled approximately 3.3 million Euro and largely consisted of investments in the development of software to support business processes, including: the "New Pos Solution" project, aimed at introducing the new cash register and back office system, Oracle Xstore, for the Group's retail channel, the so-called "Marlin Project" aimed at standardizing the Group's retail information systems relying on SAP, and the Company's continued development of the e-commerce project.

Amortization and depreciation (excluding depreciation of the Right-of-use assets) totaled 24,029 thousand Euro as at 31 December 2021, compared to 25,257 thousand Euro as at 31 December 2020.

During 2021, the Company did not make any investments in financial assets.

Net working capital

Below is the breakdown and change in **net working capital** as at 31 December 2021 compared with 31 December 2020.

(In thousands of Euro)	31 December 2021	31 December 2020	% change
Inventories and Right of return assets	92,274	101,039	(8.7%)
Trade receivables	165,077	144,139	14.5%
Trade payables and Refund Liabilities	(168,232)	(131,557)	27.9%
Total	**89,119**	**113,621**	**(21.6%)**

Net working capital decreased by 21.6%. Inventories and right of return assets were down 8,765 thousand Euro overall, i.e. 8.7%: the 13,057 thousand Euro increase in inventories of raw materials for production was offset by the 21,822 thousand Euro decline in inventories of finished products and right of return assets (including a 2,071 thousand Euro increase referring to the change in right of return assets, totaling 11,759 thousand Euro as at 31 December 2021).

Trade receivables totaled 165,077 thousand Euro, up 14.5% from 2020, and included 131,116 thousand Euro in receivables from subsidiaries (112,179 thousand Euro in 2020) and 33,961 thousand Euro in receivables from third parties (31,960 thousand Euro in 2020, up 6.3%).

Trade payables and Refund Liabilities amounted to 168,232 thousand Euro (including 18,636 thousand Euro in refund liabilities), up 27.9% from 2020. They largely referred to purchases of production materials, outsourcing costs, and purchases of finished goods.

Net financial debt/(surplus)

Net financial debt/(surplus) as at 31 December 2021 and 31 December 2020 was as follows:

(In thousands of Euro)	31 December 2021	31 December 2020	% change
Cash and cash equivalents (A)	356,105	212,453	67.6%
Other current financial assets (B)	98,903	166,939	(40.8%)
Interest-bearing loans and borrowings (C)	109,173	124,919	(12.6%)
Other current financial liabilities (D)	513	3,669	(86.0%)
Lease liabilities (E)	111,629	101,700	9.8%
Net financial debt/(surplus) (C + D +E – A – B)	**(233,693)**	**(149,104)**	**56.7%**

The net financial surplus rose from 149,104 thousand Euro as at 31 December 2020 to 233,693 thousand Euro as at 31 December 2021, largely because of the decrease in interest-bearing loans and borrowings as well as the increase in cash and cash equivalents during the year. The Company used part of its cash surpluses to repay the outstanding medium/long-term loan early, for an amount of 40,000 thousand Euro, thus reducing its bank debt.

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

(In thousands of Euro)	31 December 2021	31 December 2020	Change 2021 vs 2020
Net financial debt/(surplus) (a)	**(233,693)**	**(149,104)**	**(84,589)**
Non current lease liabilities	96,452	85,908	10,544
Current lease liabilities	15,177	15,792	(615)
Lease liabilities (b)	**111,629**	**101,700**	**9,929**
Adjusted net financial debt/(surplus) (a-b)	**(345,322)**	**(250,804)**	**(94,518)**

2021 ended with a positive adjusted net financial position amounting to 345,322 thousand Euro, up from 250,804 thousand Euro as at 31 December 2020. The Company's net financial position remains extremely positive, thanks to 110,729 thousand Euro in adjusted cash flows from operating activities,17,128 thousand Euro in proceeds from the sale of Parfums Italia S.r.l. (net of cash sold), net of 12,352 thousand Euro in cash flows used for the purposes of investing in tangible and intangible assets during 2021, the payment of deferred consideration for the acquisition of Arts S.r.l. and Aura 1 S.r.l. (3,629 thousand Euro) in February 2021, and 17,457 in the repayment of financial liabilities.

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 2021 and 2020.

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

Profitability ratios	**2021**	**2020**
ROE *(Net profit for the period / Average shareholders' equity)*	5.0%	(5.1%)
ROI *(Operating profit / Net average invested capital)*	12.8%	(7.2%)
ROS *(Operating profit / Revenues from sales and services)*	10.7%	(7.0%)

Financial ratios	**2021**	**2020**
Coverage of shareholders' equity ratio *(Shareholders' equity / Non current assets)*	161.2%	149.5%
Liquidity ratio *(Current assets excluding inventories/Current liabilities)*	235.4%	313.0%

Turnover ratios expressed in days	**2021**	**2020**
Turnover of trade receivables *Average value of Trade receivables in the period / Revenues from sales and services x days*	100	110
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*	137	132
Inventory turnover *Average value of Inventories in the period / cost of goods sold x days*	102	126
Turnover of average invested capital *Average value of invested capital / Revenues from sales and services x days*	304	354

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

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

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

	31 December 2021	
(In thousands of Euro)	Shareholders' equity	Net profit/(loss) for the period
Salvatore Ferragamo S.p.A. data	**665,822**	**32,800**
Elimination of consolidated investments	239,696	21,556
Elimination of unrealized profits, deriving from transactions between Group companies, relating to inventories, net of the deferred tax effect	(131,960)	29,738
Other consolidation adjustments	12,321	(2,957)
Total shareholders' equity and net profit/(loss)	**785,879**	**81,137**
Minority interests – shareholders' equity and net profit/(loss)	21,566	2,490
Group – shareholders' equity and net profit/(loss)	**764,313**	**78,647**

7. Results of Group companies

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

(In thousands) Società	Currency	2021 Revenues	2021 Shareholders' equity	2020 Revenues	2020 Shareholders' equity
Ferragamo Australia Pty Ltd.	AUD	21,127	22,268	20,110	21,979
Ferragamo Japan K.K.	JPY	11,615,759	(3,007,093)	10,426,130	(2,474,038)
Ferragamo Korea Ltd.	KRW	122,803,691	88,194,233	105,606,624	82,060,002
Ferragamo Espana S.L.	EURO	8,969	3,615	4,461	3,732
Ferrimag Limited	HKD	-	126,415	-	125,726
Ferragamo Retail HK Limited	HKD	181,652	(198,471)	170,509	(72,822)
Ferragamo Retail Taiwan Limited	TWD	609,118	364,732	590,730	299,370
Ferragamo Mexico S. de R.L. de C.V.	MXN	1,295,421	745,713	910,960	652,873
Ferragamo Retail Nederland B.V.	EURO	2,852	1,246	2,538	1,185
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	CNY	1,487,790	776,599	1,346,174	582,964
Ferragamo (Singapore) Pte. Ltd.	SGD	14,520	(35,579)	12,471	(26,957)
Ferragamo (Thailand) Limited	THB	135,854	(152,679)	135,597	(110,759)
Ferragamo (Malaysia) Sdn Bhd	MYR	28,977	12,897	26,758	18,695
Ferragamo Hong Kong Ltd.	USD	202,154	117,947	164,093	125,527
Gruppo Ferragamo USA	USD	381,504	92,849	211,796	85,269
Ferragamo Deutschland GmbH	EURO	6,494	4,992	6,309	4,647
Ferragamo Belgique SA	EURO	2,024	692	921	669
Ferragamo Monte-Carlo S.A.M.	EURO	369	(465)	293	(74)
Ferragamo (Suisse) SA	CHF	7,132	1,546	4,872	1,546
Ferragamo U.K. Limited	GBP	13,383	5,665	10,347	5,142
Ferragamo France S.A.S.	EURO	13,508	9,607	9,409	10,625
Ferragamo Parfums S.p.A.*	EURO	-	-	39,739	21,562
Ferragamo Chile S.A.	CLP	780,176	(1,034,716)	440,210	(710,201)
Ferragamo Austria GmbH	EURO	2,797	4,073	1,442	3,983
Ferragamo Retail India Private Limited	INR	-	(441,521)	-	(446,037)
Ferragamo Retail Macau Limited	MOP	82,729	59,253	55,624	69,541
Ferragamo Moda (Shanghai) Co.Ltd.	CNY	320,194	7,722	306,581	(10,215)
Ferragamo Brasil Roupas e Acessorios Ltda.	BRL	44,743	22,981	25,988	21,101
Ferragamo Argentina S.A.	ARS	197,463	37,295	121,023	(9,629)

* Ferragamo Parfums S.p.A. was merged into Salvatore Ferragamo S.p.A. during 2021.

8. Significant events occurred during the year

Ordinary Shareholders' Meeting

Two Shareholders' Meetings of Salvatore Ferragamo S.p.A. took place in 2021 – on 22 April 2021 and 14 December 2021, respectively.

Shareholders' Meeting of 22 April 2021

On 22 April 2021, the Ordinary Shareholders' Meeting:

- approved the separate financial statements for the year ended 31 December 2020 and resolved to cover the loss for 2020, totaling 34,070,066 Euro, by using the Extraordinary Reserve;
- approved the policy concerning the remuneration of the members of the governing bodies, managers with strategic responsibilities, and the members of control bodies for the year 2021, and also voted in favor of Section II of the report on remuneration policy and fees paid, which includes, among other things, a list of the fees paid to said II in any capacity and in any form for the year ended 31 December 2020;
- elected the new Board of Directors using the slate-voting system, setting the number of its members at 10 and fixing their term of office at three years, until the meeting convened to approve the financial statements as at 31 December 2023. Therefore, the members of the Board of Directors were: (i) Leonardo Ferragamo, Michele Norsa, Micaela le Divelec Lemmi, Giacomo Ferragamo, Angelica Visconti, Peter K.C. Woo, Umberto Tombari, Patrizia Michela Giangualano, and Marinella Soldi, elected from the majority slate submitted by Ferragamo Finanziaria S.p.A., which owns 54.276% of the Company, and (ii) Anna Zanardi Cappon, elected from the minority slate submitted by a group of shareholders who collectively own 1.77651% of the Company;
- (i) withdrew the resolution authorizing to purchase and dispose of treasury shares, passed by the Ordinary Shareholders' Meeting of 8 May 2020; (ii) authorized the Board of Directors, pursuant to article 2357 of the Italian Civil Code, to buy, including in multiple rounds, ordinary shares in Salvatore Ferragamo S.p.A. with a par value of 0.10 Euro each, up to a maximum amount that, considering the ordinary shares in Salvatore Ferragamo S.p.A. held from time to time by the Company or its subsidiaries, shall not exceed 1% of the Company's share capital from time to time, pursuant to article 2357, paragraph 3, of the Italian Civil Code, in accordance with specific terms and conditions; (iii) authorized the Board of Directors, in accordance with article 2357-ter of the Italian Civil Code, to sell, including in multiple rounds, all or part of the ordinary shares bought, in accordance with specific terms and conditions.

On the same date, the Extraordinary Shareholders' Meeting:

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

Shareholders' Meeting of 14 December 2021

On 14 December 2021, the Ordinary Shareholders' Meeting:

- approved an update to the remuneration policy for the year 2021, which, effective said date, updates and supersedes the one approved with the favorable vote of the shareholders' meeting of 22 April 2021. Meanwhile, Section II of the report on remuneration policy and fees paid (concerning the finalization of the fees paid in 2020), already approved by the shareholders' meeting on 22 April 2021, remained unchanged. Specifically, the new policy includes: (i) the adoption of the "Special Award 2022-2026" plan and the "Restricted Shares" plan for the new Managing Director and General Manager, Marco Gobbetti, as well as any additional recipients as the Board of Directors may identify; (ii) a description of the contractual rules governing the termination of the relationship with the new Managing Director and General Manager;
- approved (i) the "Special Award 2022-2026" medium/long-term incentive plan – under which, upon satisfying specific conditions, ordinary shares in Salvatore Ferragamo S.p.A. are to be awarded to the Managing Director and General Manager, Marco Gobbetti, as well as any additional top managers as the Ferragamo Group's Board of Directors may identify; and (ii) the "Restricted Shares" incentive plan, under which, upon satisfying specific conditions, "Restricted Shares" in the Company are to be awarded to the Managing Director and General Manager as well as any additional recipients as the Board of Directors may identify. Shares in the Company are to be awarded to recipients under the two Plans by using treasury shares arising from purchases authorized by the Shareholders' Meeting, pursuant to articles 2357 and 2357-ter of the Italian Civil Code, and/or any specific share capital increases pursuant to article 2349, paragraph 1, of the Italian Civil Code;
- resolved to appoint new members to the governing body up to the maximum number of ten set by the Shareholders' Meeting of 22 April 2021 and, therefore, appointed Mr Frédéric Biousse and Ms Annalisa Loustau Elia, already co-opted by the Board of Directors on 29 September 2021, as directors, replacing Micaela le Divelec Lemmi and Marinella Soldi. The term of office of the two new directors will expire together with the entire Board of Directors on the date of the Meeting convened to approve the separate financial statements as at 31 December 2023.

Board of Directors

Meeting of 9 March 2021

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

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

Meeting of 29 March 2021

At the meeting held on 29 March 2021, the Board of Directors approved the update to the Remuneration Report after finalizing the variable fees of Executive Directors.

Meeting of 22 April 2021

On 22 April 2021, the Board of Directors, which met after the Shareholders' Meeting that elected it, appointed: (i) Leonardo Ferragamo as (non-executive) Chair of the Board; (ii) Michele Norsa as (executive) Deputy Chair; and (iii) Micaela le Divelec Lemmi as Managing Director, confirming all the powers already vested in them. The Board then set up: (i) the Control and Risks Committee (designating it also as the Related-Party Transactions and Corporate Sustainability Committee), comprised of the independent directors Patrizia Michela Giangualano (Chair), Umberto Tombari, and Anna Zanardi Cappon; (ii) the Nomination and Remuneration Committee, comprised of the independent directors Marinella Soldi (Chair), Umberto Tombari, and Anna Zanardi Cappon; and (iii) the Growth Plan and Strategy Committee, comprised of Michele Norsa (Chair), Leonardo Ferragamo, and Micaela le Divelec Lemmi.

Meeting of 1 July 2021

On 1 July 2021, the Board of Directors approved, with the favorable opinion of the Nomination and Remuneration Committee, the Control and Risks Committee (competent body pursuant to the procedure for minor Transactions with Related Parties), and the Board of Statutory Auditors, the agreement reached with the Managing Director Micaela le Divelec Lemmi for the continuation of the business relationship until the next meeting of the Board of Directors of 7 September 2021. Pursuant to art. 5 of the Corporate Governance Code, the Company also disclosed that Ms le Divelec Lemmi received, in addition to the fixed components of remuneration due pro rata temporis, consideration for the termination of the relationship and in final settlement of any claim for such termination, totaling 1,974,000.00 Euro, paid by 30 September 2021 and already accounted for as at 30 June 2021. The above was determined in accordance and consistently with the Company's remuneration policy, as approved by the Shareholders' Meeting on 22 April 2021, as well as pursuant to the contractual obligations established with Ms le Divelec Lemmi at the time of her appointment and approved by the Board of Directors with the favorable opinion of the Nomination and Remuneration Committee as well as the Board of Statutory Auditors. No claw back or malus clauses applied. In addition, the parties agreed to terminate the non-compete agreement between the Company and Ms Micaela le Divelec Lemmi, and no amount was awarded by the Company for this reason.

At the same meeting, the Board of Directors approved the terms and conditions of the agreement with Mr Marco Gobbetti for him to join the Company as General Manager and Managing Director, starting in this position effective 1 January 2022.

On 27 July 2021, Ms Marinella Soldi, independent non-executive director as well as Chair of the Nomination and Remuneration Committee, resigned effective immediately from her position as Director of Salvatore Ferragamo S.p.A. for professional reasons. In line with the remuneration policy adopted by the Company on 22 April 2021, no termination indemnities or other benefits were awarded to her.

Meeting of 7 September 2021

On 7 September 2021 - considering Ms Micaela le Divelec Lemmi's resignation from her position as Director and Managing Director of the Company, and all the Group's companies, effective 8 September 2021 - the Company's Board of Directors vested all the powers of ordinary administration in the Executive Deputy Chair Michele Norsa, who therefore took over responsibility for business operations effective 8 September 2021.

At the meeting held on the same day, the Board of Directors approved (i) the launch of an ordinary treasury share repurchase program as authorized by the Shareholders' Meeting of 22 April 2021, in accordance with the terms and conditions approved by the latter; and (ii) the engagement policy, available at the Company's website https://group.ferragamo.com/en/governance/corporate-governance/, in accordance with the recommendations of the Corporate Governance Code for listed companies (that the Company has adopted).

Meeting of 29 September 2021

At the meeting held on 29 September 2021, the Board of Directors co-opted the following as directors, pursuant to art. 2386, paragraph 1 of the Italian Civil Code: (i) Frédéric Biousse – candidate included in the majority list submitted at the shareholders' meeting held on 22 April 2021 by the majority shareholder Ferragamo Finanziaria S.p.A. – and (ii) Annalisa Loustau Elia, verifying on the same date that they met the independence requirements under the applicable provisions of Italian Leg. Decree 58/98 and the Corporate Governance Code. The directors were co-opted in place of the directors Marinella Soldi and Micaela le Divelec Lemmi in accordance with article 20 of the Bylaws as well as applicable regulatory and other provisions, with the favorable opinion of the Nomination and Remuneration Committee and the approval of the Board of Statutory Auditors.

At the same meeting, the Board of Directors also appointed the independent director Annalisa Loustau Elia to the Nomination and Remuneration Committee and the Director Anna Zanardi Cappon as Chair of said Committee. As at the end of the reporting period and as at the date of this report, the Nomination and Remuneration Committee was therefore comprised of the independent directors Anna Zanardi Cappon (Chair), Annalisa Loustau Elia, and Umberto Tombari.

Meeting of 14 December 2021

On 14 December 2021, the Board of Directors, which met after the Shareholders' Meeting held on the same date, accepted the resignation of Executive Deputy Chair Michele Norsa effective 1 January 2022. Considering the resignation from his roles within the Board, under the agreement approved with the favorable opinion of the Nomination and Remuneration Committee and the Board of Statutory Auditors, Michele Norsa was awarded 868,000.00 Euro, to be paid within 30 days of his resignation, in accordance with the Company's remuneration policy approved by the Shareholders' Meeting of 14 December 2021 and with the exceptions referred to in point 10.1(ii) of the Company's procedure governing transactions with related parties, as well as in accordance with the contractual obligations established between the Company and Michele Norsa. No claw back or malus clauses applied.

At the same meeting, the Board of Directors, having verified he met the honesty requirements and that there were no grounds for ineligibility or incompatibility, as required under applicable laws and regulations based on the representations made, co-opted Marco Gobbetti as director of the Company, naming him Managing Director and General Manager and assigning him all the powers of ordinary administration effective 1 January 2022.

In addition, the Board of Directors also appointed the director Angelica Visconti as Deputy Chair effective 1 January 2022 and verified that the directors Frédéric Biousse and Annalisa Loustau Elia, based on available information and the representations made by the persons concerned, met the honesty requirements and that there were no grounds for ineligibility or incompatibility, as required under applicable laws and regulations, and verified that the newly-appointed directors met the independence requirements under the applicable provisions of Italian Leg. Decree 58/98 and the Corporate Governance Code.

Finally, considering the addition of the new Managing Director and General Manager and the new distribution of powers, the Board of Directors resolved to terminate the Growth Plan and Strategy Committee effective 1 January 2022.

Incentive plans for the Managing Director and General Manager and top management

The Ordinary Shareholders' Meeting of 14 December 2021 approved two incentive plans for the Managing Director and General Manager, Marco Gobbetti, as well as any additional recipients of the Ferragamo Group as the Board of Directors may identify in the future: the "Restricted Shares Plan" and the "Special Award 2022-2026" Plan.

For more information on the incentive plans, see the documents available at the Company's website https://group.ferragamo.com/en, section Governance/Shareholders' Meeting/2021/14 December.

Restricted Shares Plan

The Plan is intended to strengthen the alignment of interests with all the Ferragamo Group's stakeholders as part of the overall remuneration package of the recipients, boosting specifically their motivation and loyalty to the Company and the Ferragamo Group, in accordance with the remuneration policy for the year 2021, approved by the Shareholders' Meeting of 14 December 2021. The Plan's recipients are the Managing Director and General Manager of the Company, Marco Gobbetti, and any additional recipients as the Board of Directors may identify in the future among the managers that currently hold or will hold the position of director, employee, and/or contractor of the Company and its subsidiaries.

At the beginning of each year, the recipients shall be awarded the right to receive a number of Restricted Shares worth a monetary amount established by the relevant corporate bodies for free, dividing said monetary amount by the average value of the shares (i.e., the average of the stock's closing prices) in the 30 days prior to the award of the right. The Restricted Shares shall then be awarded at the end of a 12-month period from the date the right was awarded, provided: (1) the Company has met the following minimum targets (so-called underpins) in the reporting period: (a) level of overall revenues at CER (current exchange rates) for the reporting period equal to at least 70% of the prior period; and (b) level of ROIC of the Ferragamo Group at RER (reported exchange rates) for the reporting period exceeding the Group's WACC; and (2) as a general rule, the recipient is still a director or employee of the Company as at the award date. Shares in the Company are to be awarded under the Plan by using treasury shares arising from purchases authorized by the Shareholders' Meeting, pursuant to articles 2357 and 2357-ter of the Italian Civil Code, and/or any specific share capital increases pursuant to article 2349, paragraph 1, of the Italian Civil Code.

The Restricted Shares will be locked up for 12 months from the award date. The Plan's incentive will be subject to ex-post adjustment mechanisms under the Company's remuneration policies (including claw back clauses, limited to any conduct that constitutes malice attributable to the recipients).

Special Award 2022-2026

The Plan is intended to strengthen the alignment of interests between top management and all the Ferragamo Group's stakeholders in order to create value, providing recipients with an incentive to meet the Company's medium/long-term targets – to be reflected in the strategic plan currently being drafted – and boosting retention.

The Plan's recipients are the Managing Director and General Manager of the Company, Marco Gobbetti, and any additional recipients as the Board of Directors may identify in the future among the managers that currently hold or will hold the position of director, employee, and/or contractor of the Company and its subsidiaries.

Under the plan, a "special award bonus" is to be awarded in two installments – to be paid 50% in cash and 50% in shares in the Company, respectively: (a) three years after 1 January 2022, upon meeting the first target (to be determined by the Board of Directors); and (b) after the following two years, upon meeting the second target (to be determined by the Board of Directors).

Each installment shall be equal to a percentage (determined by the Company's competent bodies and equal to 0.50% for the Managing Director and General Manager) of the Company's average capitalization in a period between the three months before and after the end of the first three years and the subsequent two years from the start of the employment relationship of the plan's recipient.

Shares in the Company are to be awarded under the Plan by using treasury shares arising from purchases authorized by the Shareholders' Meeting, pursuant to articles 2357 and 2357-ter of the Italian Civil Code, and/or any specific share capital increases pursuant to article 2349 paragraph 1 of the Italian Civil Code. The shares awarded to recipients will be locked up for 3 months. The Plan's incentive will be subject to ex-post adjustment mechanisms under the Company's remuneration policies (including claw back clauses, limited to any conduct that constitutes malice attributable to the recipients).

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

On 16 April 2021, as no objections were raised by creditors within the time limit under article 2503 of the Italian Civil Code, Salvatore Ferragamo S.p.A. (the "Company"), as the surviving entity, and Ferragamo Parfums S.p.A., wholly-owned by the Company, as the merging entity, implemented the resolutions that the Board of Directors and the Shareholders' Meeting of the merging entity passed on 15 December 2020, by executing the deed of merger of Ferragamo Parfums S.p.A. into the Company authorized by a notary public. The deed of merger was filed with the relevant Company Register on 21 April 2021. The shares representing 100% of Ferragamo Parfums S.p.A. (10,000,000 ordinary shares with a par value of 1 Euro each) held by the Company were canceled, without carrying out any share capital increase. No amendment was made to the Company's Bylaws as a result of the merger. The merger is effective retroactively to 1 January 2021 for accounting and tax purposes and effective 1 May 2021 for legal purposes.

Renewal of the licensing agreement with Vertime B.V.

On 20 July 2021, the Company announced the renewal of the licensing agreement with Vertime B.V. (part of the Timex group) for an additional 10 years effective 1 January 2023. Vertime B.V. is a leader in the production and distribution of luxury and high-quality watches, and the licensing agreement covers the production and distribution of the Salvatore Ferragamo-branded watch collection.

Establishment of Parfums Italia S.r.l.

On 8 September 2021, the company Parfums Italia S.r.l., wholly-owned by Salvatore Ferragamo S.p.A. (the "Company"), was set up in Florence with a share capital of 10,000 Euro. On 27 September 2021, the Company, as the sole shareholder in Parfums Italia S.r.l., approved a capital increase from 10,000 Euro to 17,138,000 Euro reserved for the sole shareholder, to be carried out by the Company by contributing the assets and liabilities associated with the production and distribution of perfumes and fragrances – a business operated by the Parent company. The share capital increase and the contribution in kind became effective on the date the relevant resolution was filed with the relevant Company Register, i.e., 30 September 2021.

Agreement to transfer the fragrances business and grant the license

On 3 June 2021, Salvatore Ferragamo S.p.A. announced in a press release issued on the same date that it had entered into exclusive negotiations with Inter Parfums, Inc., a manufacturer and distributor of premium fragrances and cosmetics, to manage Salvatore Ferragamo-branded fragrances under a global license. On 7 July 2021, the parties defined and agreed the terms of the transfer of the fragrances business from Salvatore Ferragamo S.p.A. to Inter Parfums, Inc., with the grant of an exclusive global license to produce and distribute Salvatore Ferragamo-branded fragrances. To this end, the company Parfums Italia S.r.l. was set up on 8 September 2021, and all the assets and liabilities associated with the fragrances business were transferred to the new entity through a share capital increase reserved for the Company. For more details, see the previous paragraph. The transfer of the fragrances business to the Inter Parfums, Inc. group closed on 1 October 2021 through (i) the sale of all shares in the newly-established entity Parfums Italia S.r.l. to Inter Parfums, Inc. at a price equal to the value of the latter's equity, and (ii) the grant of an exclusive global license to produce and distribute Salvatore Ferragamo-branded fragrances to Inter Parfums, Inc., for an initial term of 10 years which may be renewed for an additional 5 years upon the satisfaction of certain conditions. The licensee (Inter Parfums, Inc.) shall operate through a dedicated wholly-owned Italian entity to preserve the existing know-how and experience, consolidate a close relationship with the brand, and promote the future growth of Ferragamo fragrances.

Finally, as the sale was already highly likely as at 30 June 2021, the assets and operations associated with the fragrances business were classified as assets and liabilities held for sale starting with the Half-Year Report as at 30 June 2021 – first as operation to be disposed of, and then as discontinued operation, since they met the requirements under IFRS 5.

Covid - 19 Update

Over the last two years, the world economy has been significantly affected by the outbreak of the pandemic caused by the novel coronavirus, known as Covid-19. During 2020, this situation has led governments around the world to restrict and suspend business operations, the movement of people, and international traffic (so-called lockdown). This had an especially negative impact on tourist flows across the globe, causing also most of the Group's distribution network to shut down. 2021 was also dominated by the Covid-19 pandemic, which continued affecting the world economy and limiting travel and international tourism. The impact has varied across markets, which were influenced by several factors – including the containment measures taken by the various governments, the different timing of when variants of the virus spread, and the progress on vaccination campaigns, which are still ongoing.

Although the situation remains uncertain and it is hard to make forecasts for the medium term, the Salvatore Ferragamo Group's results for the year 2021 point to a remarkably positive trend in both revenues (+29.5% at current exchange rates and +31.4% at constant exchange rates compared to 2020) and margins, driven by the retail channel's strong performance (+30.2% at current exchange rates compared to 2020, accounting for 73.0% as a percentage of total revenues). Adjusted operating profit/(loss) was up from a 28.1 million Euro loss in 2020 to a 143.5 million Euro adjusted operating profit in 2021, as the improvement in gross margin was more than proportionate toe the rise in operating costs supporting growth – also because of the steps promptly taken by the Group's management as soon as in 2020 to mitigate the negative impact of the crisis triggered by the Covid-19 pandemic.

The Group also received government grants and subsidies where possible. Personnel costs were down 15.0% in 2021 compared to the prior-year period, largely because of the economic recovery and, to a lesser extent than in 2020, government benefits and subsidies, such as employment support measures.

The Group continued benefiting from negotiations to revise the terms and conditions of the leases of its distribution network, resulting in a 6,785 thousand Euro positive variable lease payment in 2021 (19,729 thousand Euro in 2020) that was directly recognized through profit or loss (mainly under "Sales and distribution costs").

In 2021, the Group drew a net total of 8,190 thousand Euro from the provision for obsolete inventory, compared to net write-downs amounting to 28,521 thousand Euro in 2020 (see note 14 Inventories in the Explanatory Notes to the Consolidated Financial Statements). The provision for bad debt, to which the Group allocated 277 thousand Euro in 2021 (528 thousand Euro in 2020), was adjusted in accordance with the risk assessments relating to the current situation (see note 16 Trade receivables in the Explanatory Notes to the Consolidated Financial Statements). As for the analysis of liquidity and credit risks, see note 3 Management of financial risks in the Explanatory Notes to the Consolidated Financial Statements.

Impairment losses and reversals

Concerning the identification of indicators of potential impairment losses as at 31 December 2021 (so-called trigger events), please note that in 2021, although the pandemic continues affecting the global economic outlook, the available forecasts regarding scenarios in the foreseeable future are consistent with the assumptions used in preparing the impairment tests for the Group's consolidated financial statements as at 31 December 2020. Therefore, the Group did not identify any indicators of potential impairment losses as at 31 December 2021 (so-called trigger events), other than the impairment losses already recognized in 2020.

Considering the lingering uncertainty over the economic scenario in which the Group operates, which is still affected by the Covid-19 pandemic, please note that, concerning the assets tested for impairment as at 31 December 2020 and on which the Group had recognized an impairment loss, in 2021 the Group decided not to calculate any reversal.

Personnel

In response to the continuing Covid-19 pandemic, the measures protecting the health of employees at both offices and directly operated stores remained in place throughout 2021; specifically, the safety protocols defined in 2020 remained in place, updated as necessary, and the Group maintained a supplemental health insurance policy for Italian employees covering symptoms associated with Covid-19. In October 2021, as required by law, the Group started systematically checking for Green pass certificates in the workplace at its offices and stores in Italy.

Smart-working, introduced as an experiment in 2019 and expanded also to protect the health of employees at both the Italian offices as well as the offices of the Group's foreign entities, remained in use, making it flexible in accordance with the evolution of the pandemic.

Finally, the Group applied for state aid in certain geographies throughout the year.

Tax and customs disputes and audits

Tax disputes settled during the year

On 17 June 2020, the Seoul Customs Office commenced a customs audit of Ferragamo Korea Ltd. with respect to duties, VAT, and other local taxes for the period from 1 June 2015 through 31 May 2020. The audit at the company's office was completed on 23 July 2020 without any objections with respect to compliance. The investigation phase of the audit continued with the examination of the Group's transfer pricing policy, the implementation of the Italian Advance Pricing Agreement ("APA"), and other intercompany relationships (chief among them the services rendered by Ferragamo Hong Kong Ltd. to the South Korean company between 2015 and June 2017). The audit was formally completed in March 2021 after nine months of investigation without any objections.

Updates on ongoing audits

- With reference to the tax audit carried out on Salvatore Ferragamo S.p.A. relating to the pass-through mechanism for CFCs for the years 2012, 2013, and 2014, we report the following. As for the year 2012, Florence's Provincial Tax Commission had upheld in full the Company's appeal in a ruling filed on 24 January 2019. The Office filed an appeal against said ruling that the Company challenged in accordance with the law. A hearing had been scheduled for 19 November 2020, but was then postponed until further notice due to the Covid-19 pandemic. The dispute over the years 2013 and 2014 has been settled, as disclosed in the 2020 Annual Report.

- With reference to the tax audit carried out on Ferragamo France S.A.S., relating to the tax years 2008-2010 and that was started in 2011, as already disclosed in previous years, the audit ended with an objection to the transfer pricing policy applied by the Parent company Salvatore Ferragamo S.p.A.. On 12 December 2012, after declining to change their position in order to reach a settlement, French tax authorities served the company with two assessment notices, confirming their claims as redetermined during the proceeding. For Ferragamo France S.A.S. these claims would entail the payment of around 900 thousand Euro in additional corporate income tax, penalties and interest for 2009 and 2010, as well as the redetermination of the taxable income for the years from 2011 to 2014 as a consequence of the cancellation of previous tax losses (amounting to around 8,925 thousand Euro), with a higher tax of 2,135 thousand Euro. After the administrative appeal was rejected, Ferragamo France S.A.S. filed an appeal with the administrative tax court. The ruling issued on 28 March 2017 dismissed all claims by French tax authorities, canceling the assessment notices for the years 2009 and 2010 and ordering them to pay 1,500 Euro in legal costs. On 26 July 2017, French tax authorities appealed against the decision to the Paris Administrative Court of Appeal, which on 27 September 2018 upheld the first-instance ruling. French tax authorities filed a final appeal against the ruling with the Council of State. At a public hearing in May 2020, the judge-rapporteur found in favor of the company and asked the Council of State to reject the appeal and order French Tax Authorities to pay the legal fees. Considering the legal complexity of the case, the court deferred a decision to the Council of State in plenary session, which on 23 November 2020 tossed the ruling of the Court of Appeal that had found in favor of the company and returned the case to the Court of Appeal for further proceedings. With this reversal, the Council of State affirmed a legal principle contrary to the one issued in the ruling concerned and remanded the case, which is still pending. The Company set aside 3,120 thousand Euro (including 2,870 thousand Euro already set aside in the 2020 Annual Report) under income taxes from previous years, recognizing a corresponding amount under tax payables. On 27 September 2018, French tax authorities launched a new audit into Ferragamo France S.A.S. concerning the income tax and VAT for the fiscal years from 2015 to 2017. The audit ended in November 2019 with the issue of a final audit report that, for the purposes of the transfer pricing applied by the Parent company Salvatore Ferragamo S.p.A. for 2016, required applying the pricing method under the International standard ruling on transfer pricing that the Parent company entered into with Italian taxation authorities in 2017, assessing an additional 688 thousand Euro in taxable income. Ferragamo France S.A.S. paid the amount due and, therefore, on 18 December 2020 the Parent company applied for a unilateral downward adjustment pursuant to art. 31-quater, paragraph 1, lett. c) of Italian Presidential Decree no. 600 of 29 September 1973, as well as the Decision dated 30 May 2018, paragraph 2.3. If the request is granted, the Parent company will be entitled to recovering the taxes paid in Italy on the income corresponding to the amount adjusted to Ferragamo France S.A.S..
- As for the ongoing tax audit involving Ferragamo Deutschland GmbH, relating to the tax years 2011-2014, that was started in 2016, on 7 March 2019 German tax authorities served the final audit report, confirming the approach communicated during the meeting on 28 November 2018. In particular, German tax authorities assessed, on a provisional basis, additional corporate income taxes and interest for the years 2011-2014 for a total amount of 2,523 thousand Euro, resulting in the elimination of previous tax losses. These amounts were confirmed by the payment orders served on Ferragamo Deutschland GmbH on 31 May 2019. Firmly convinced that its actions were lawful (in compliance with the official communication issued by German tax authorities), the Company filed an administrative appeal and requested suspension of payment to the competent authorities. This request was approved. Meanwhile, in December 2020 German tax authorities served similar payment orders on Ferragamo Deutschland GmbH for the fiscal year 2015, claiming 234 thousand Euro in additional taxes. The Company promptly appealed and requested suspension of payment to the competent authorities. With respect to both objections, German tax authorities have taken a position that is at odds with precedent and lacks a strong legal basis. The company is waiting to schedule a hearing with German tax authorities..

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

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

Tax and customs audits commenced during the period

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

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

With respect to the R&D Tax Credit, please note that, starting from the tax year 2020, the tax credit for investments in research and development as per art. 3 of Italian Law Decree no. 145 of 23 December 2013 (in force until 2019) has been replaced by three separate tax credits, for R&D, design and aesthetic conception, and technological innovation, introduced by art. 1 paragraph 198-209 of Italian Law no. 160 of 27 December 2019 (so-called 2020 Budget Law) as amended by art. 1, paragraph 1064 of Italian Law no. 178 of 30 December 2020 (so-called 2021 Budget Law). Salvatore Ferragamo S.p.A. benefited from said credits in 2020 and estimated 1,659 thousand Euro in credits for 2021.

With respect to the Patent Box, on 16 November 2020 the Company notified the Inland Revenue Office that it would withdraw the application filed on 25 September 2019 for an extension of the advance agreement entered into with the Italian Inland Revenue Office for Advance Agreements on 29 December 2016 to determine the economic contribution in case of direct use of intangible assets. By doing so, the Company intended to enter into the Patent Box self-assessment regime, introduced by article 4 of Italian Law Decree no. 34 of 30 April 2019 (so-called Growth Decree), and assess the amount of the benefit on its own. However, as a result of the changes introduced by art. 6 of Italian Law Decree no. 146 of 21 October 2021, converted with the relevant amendments into Law no. 215 of 17 December 2021 (so-called 2021 Tax Decree), as amended by Law no. 234 of 30 December 2021 (so-called 2022 Budget Law), the Company determined it would benefit from the new Patent Box regime, which raises the deduction for research and development costs associated with copyrighted software, industrial patents, designs, and models (excluding trademarks) used directly or indirectly in business operations for IRES and IRAP purposes to 110%. Therefore, starting from the tax year 2021, Salvatore Ferragamo S.p.A. will be able to benefit from the Patent Box only with respect to designs and models and potentially other intangible assets referred to in the relevant regulation. Since accurately identifying the eligible assets and expenses – listed in a Decision of the Head of the Inland Revenue Office dated 15 February 2022 – is the basis for calculating the benefit, and in accordance with the stringent documentation requirements under the Decision, the Company will be able to determine the amount of the benefit for 2021 only after conducting a thorough analysis of eligible costs and the required documentation.

International standard ruling on transfer pricing

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

On 30 September 2021, the Company applied for an extension of the Advance Pricing Agreement ("APA") entered into on 28 July 2017 and effective for the fiscal years from 2017 to 2021. On 13 October 2021, the Inland Revenue Office granted the Company's request for a five-year extension from 2022 through 2026. The relevant process will begin in 2022.

9. Information on corporate governance and ownership structure

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

On 8 March 2022, the Company's Board of Directors approved the Report on Corporate Governance and Ownership Structure for the year ended 31 December 2021, prepared also pursuant to art. 123-Bis of the Consolidated Law on Finance ("Corporate Governance Report").

The Corporate Governance Report includes a description of the corporate governance system adopted by the Company in 2021, information on the ownership structure and the adoption of the Corporate Governance Code as at the date of the Corporate Governance Report, the Company's main governance practices, and the characteristics of the risk management and internal control system with respect to the financial reporting process.

Corporate Governance

For more information on the Company's corporate governance structure, adopted also in accordance with the principles in the Corporate Governance Code, see the document "Report on Corporate Governance and Ownership Structure", published on the Company's website, section Corporate Governance/Report on Corporate Governance and Ownership Structure. Below is a summary of key information on the Company's corporate governance.

Issuer profile
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 in force were approved by the Extraordinary Shareholders' Meeting on 22 April 2021. The Bylaws establish the essential features of the Company and set the main rules for its management and operation, as well as provide a description of the membership of corporate bodies, their powers, and their relationships. The Bylaws also include the description of shareholders' rights and how to exercise them.

The Company started the process to adopt the Corporate Governance Code, in force since 1 January 2021, starting from the year 2021 in order to align the corporate governance model with the principles and recommendations in the Corporate Governance Code. Previously, the Company adopted the Corporate Governance Code adopted by the Italian Committee for the Corporate Governance of listed companies.

Board of Directors

The main corporate governance body is the Board of Directors, which has the power and the duty to direct the Company's operations, pursuing the goal of creating value for shareholders. Pursuant to the Bylaws, the Board runs business operations and is vested with all the powers of ordinary and extraordinary administration, except for those reserved to the Shareholders' Meeting under the law and the Bylaws.

The Board of Directors leads the Company by pursuing its sustainable success, defines the strategies of the Company and the Group in accordance with said goal, monitors their implementation, defines the corporate governance system considered to be most appropriate to the Company's operations and the pursuit of its strategies, and promotes the engagement with shareholders and the Company's other significant stakeholders.

The Shareholders' Meeting of 22 April 2021 elected the Board as at the date of this Annual Report – except for the information reported below – setting the number of its members at 10 and fixing their term of office at three years, until the Shareholders' Meeting convened to approve the financial statements as at 31 December 2023. The following directors were co-opted during the year:

(i) Frédéric Biousse and Annalisa Loustau Elia, who, already co-opted pursuant to article 2386 of the Italian Civil Code by the Board of Directors on 29 September 2021, were appointed as non-executive members of the Company's Board of Directors with the resolution of the Shareholders' Meeting of 14 December 2021; on the same date, the Board of Directors verified that they, based on available information and the representations made by the persons concerned, met the honesty requirements and that there were no grounds for ineligibility or incompatibility, as required under applicable laws and regulations, and verified that the newly-appointed directors met the independence requirements under the applicable provisions of the Consolidated Law on Finance and the Corporate Governance Code; and

((ii) Marco Gobbetti, already co-opted pursuant to article 2386 of the Italian Civil Code by the Board of Directors on 14 December 2021, in place of the Executive Deputy Chair Michele Norsa, effective 1 January 2022; on the same date, the Board of Directors also named him as Managing Director and General Manager, assigning him all the powers of ordinary administration effective 1 January 2022.

As at the date of this Annual Report, the Board of Directors was therefore comprised of Leonardo Ferragamo (Chair), Angelica Visconti (Deputy Chair), Marco Gobbetti (Managing Director), Giacomo Ferragamo, Peter K. C. Woo, Anna Zanardi Cappon (Independent), Patrizia Michela Giangualano (Independent), Annalisa Loustau Elia (Independent), Umberto Tombari (Independent), and Frédéric Biousse (Independent).

This Board of Directors will serve until the date of the Shareholders' Meeting convened to approve the separate financial statements as at 31 December 2023, except for Marco Gobbetti, whose term of office, pursuant to article 2386, paragraph 1, of the Italian Civil Code, will expire at the next Shareholders' Meeting convened for 12 April 2022, which shall pass the necessary resolutions to appoint a director.

Below is the composition of the Board of Directors as at 31 December 2021.

MEMBERS OF THE BOARD OF DIRECTORS OF THE PARENT COMPANY - 31 DECEMBER 2021

	30- 50		>50		Tot	
	Men	**Women**	**Men**	**Women**	**Men**	**Women**
Members of the Board of Directors	10%	10%	50%	30%	60%	40%
Of which executive*					67%	33%
Of which independent					40%	60%

* In accordance with the definitions in the Corporate Governance Code, also the directors vested with management powers and/or who hold executive positions in the company or a subsidiary with strategic importance, or in the holding company, should the position concern also the Company, were considered to be executive directors.

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

- the Nomination and Remuneration Committee, comprised of the independent directors Anna Zanardi Cappon (Chair), Annalisa Loustau Elia, and Umberto Tombari;
- the Control and Risks Committee, responsible also for transactions with related parties and corporate sustainability, comprised of the Independent Directors Patrizia Michela Giangualano (Chair), Umberto Tombari, and Anna Zanardi Cappon.

In addition, the following committees were operational during 2021:

- from 1 January 2021 through 22 April 2021, a Brand and Product Strategy Committee, comprised of the Directors Michele Norsa (Chair), Micaela le Divelec Lemmi, Diego Paternò Castello di San Giuliano, and Angelica Visconti, and,
- from 22 April 2021 through 31 December 2021, a Growth Plan and Strategy Committee, comprised of the Directors Michele Norsa (Chair), Leonardo Ferragamo, and Micaela le Divelec Lemmi (until 7 September 2021).

Concerning the Company's governance, in the period from 1 January 2021 through 22 April 2021, the independent director Marzio Alessandro Alberto Saà also served as Lead Independent Director. After the Shareholders' Meeting of 22 April 2021 appointed the new Board of Directors, the Company did not appoint a Lead Independent Director, as the conditions referred to in the Corporate Governance Code's recommendations were not met.

During 2021, the position of director responsible for the internal control and risk management system, with the duties and responsibilities established in the Corporate Governance Code, was held by the Managing Director Micaela le Divelec Lemmi until 7 September 2021 and, afterwards, by the Executive Deputy Chair Michele Norsa until 31 December 2021. Since 1 January 2022, the Managing Director Marco Gobbetti has been serving in this position.

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

Control body and managers with strategic responsibilities
With respect to the control body and managers with strategic responsibilities, please note that:

- the current Board of Statutory Auditors was elected by the Shareholders' Meeting on 8 May 2020 based on a slate-voting system for the 2020-2022 period, and shall remain in office until the Meeting convened to approve the financial statements as at 31 December 2022. Currently, the members of the Board of Statutory Auditors are: Andrea Balelli, elected from the slate submitted by a group of minority shareholders in the Company and subsequently appointed as Chair of the Board; Paola Caramella and Giovanni Crostarosa Guicciardi, Acting Statutory Auditors elected from the majority slate submitted by Ferragamo Finanziaria S.p.A.; Antonella Andrei and Roberto Coccia, Substitute Statutory Auditors elected from the majority and minority slates, respectively;
- on 10 March 2020, the Board of Directors also appointed the CFO and manager with strategic responsibilities Alessandro Corsi as Manager charged with preparing Company's Financial Reports (Manager in Charge) pursuant to art. 154 bis of the Consolidated Law on Finance effective 1 April 2020.

To date, the Board of Directors has identified the following as managers with strategic responsibilities: the Brand & Product and Communication Manager Giacomo (James) Ferragamo, and the CFO and Manager in Charge Alessandro Corsi.

Change of Control Clauses
The medium/long-term incentive plan known as "Special Award 2022-2026" approved by the Shareholders' Meeting on 14 December 2021 under article 114-bis of the Consolidated Law on Finance, under which, upon satisfying specific conditions, ordinary shares in the Company are to be awarded to the Managing Director and General Manager, includes a change of control clause (defined as "the exercise of control, pursuant to art. 2359 of the Italian Civil Code, over the Company by an entity other than Ferragamo Finanziaria S.p.A."). Under said clause, should such circumstance occur during the "Vesting Period", as defined in said plan, the Managing Director and General Manager shall be entitled to receive a "Special Award Bonus", as defined in said plan, in a lump sum and for an amount calculated by reference to 0.50% of the Company's equity value based on the valuation of the Company as part of the transaction that caused the "Change of Control". For more information, see the Report to the Shareholders' Meeting of 14 December 2021 on the second item on the agenda and the information document "Special Award 2022-2026 Plan" available on the Company's website http://group.ferragamo.com, section Governance/ Shareholders' Meeting/2021/14-December.

Main features of the systems of risk management and internal control

The Board, which is responsible for the internal control and risk management system as a whole – which is understood as the set of rules, organizational procedures and structures, and processes intended to monitor the efficiency of business operations, the reliability of the information provided to the corporate bodies and the market, compliance with laws and regulations, and the safeguarding of the Company's assets – defines, including through the support of the Control and Risks Committee, the guidelines for the internal control and risk management system, so that the main risks facing the Company and the Group – including risks that could become material in terms of the sustainability of the Company's operations over the medium/long term – are identified, measured, managed, and monitored in line with Italian and international reference models.

When defining the guidelines of the internal control and risk management system, the Board shared the organizational structure of Salvatore Ferragamo S.p.A. in order to support the Company's strategies currently in development and contribute to the sustainable success of Salvatore Ferragamo S.p.A..

The Company adopts an integrated risk management model, in line with Enterprise Risk Management ("ERM") standards and best practices, inspired by the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (known as CoSO ERM).

Said ERM model is intended to help top management identify the main business risks and how they can be managed, as well as define how to organize the system of measures protecting against such risks.

The method used is aimed at defining an integrated and structured process for identifying, assessing, and classifying risks based on an analysis of the objectives of each business process, in line with the structure of roles and responsibilities associated with internal control and the mapping of the Group's risks, classified by materiality.

Under the adopted integrated risk management system, the Company is to perform the following main activities on a regular basis: validating the risk governance model, updating the mapping, identifying and assessing the risks and measures adopted to contain them, assessing the overall level of risk, and defining appropriate monitoring and management strategies.

In 2021, the Company started incorporating ESG factors into its risk mapping to update the risk assessment – a process that will continue into 2022 in line with the Company's strategies. In addition, the Company promoted greater integration between the internal functions involved, so as to ensure consistent and effective monitoring of the main risks within the organization, and requested a scenario analysis related to climate change mitigation, in accordance with the priorities defined by the European Securities and Market Authority (ESMA) and considering also the main global risks identified by the World Economic Forum (WEF).

As for the internal control system, it 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 business operations, the reliability of the financial information provided to corporate bodies and the market, and compliance with the laws and regulations in force.

The Company establishes the general principles governing the Group's internal control system, implementing operational and organizational procedures that are suitable for the specific context.

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

- ithe Code of Ethics, intended to promote and maintain an appropriate level of fairness, transparency, and ethical conduct in the performance of the Group's operations;
- the risk management system in relation to the financial disclosure process adopted in compliance with the provisions of art. 154-bis of the Consolidated Law on Finance;
- the organization, management and control model adopted for the purposes of preventing the crimes as set out in Leg. Decree 231/2001;
- the Anticorruption Policy;

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

The Directive 2014/95/EU ("Barnier Directive") introduced some non-financial disclosure requirements and was transposed into Italian law with Leg. Decree 254/2016, which is effective for annual periods beginning on or after 1 January 2017. The Consolidated Non-Financial Statement describes the Group's operations, its performance, results, and impact with respect to environmental, social and staff-related matters, respect for human rights, and the fight against active and passive corruption.

For more information, see the Consolidated Non-Financial Statement for the year 2021, included in this Directors' report on operations.

The Company's internal control and risk management system identifies the following specific positions, which are assigned the specific duties summarized below.

Director responsible for the internal control and risk management system (the "Responsible Director")
They have the duty of supervising the system, i.e., identifying the main business risks – presenting them to the Board for consideration on a regular basis – as well as designing, implementing, and managing the internal control system, in compliance with the Board of Directors' guidelines, continuously verifying its adequacy and effectiveness and adjusting it to changes in operating conditions and the legal and regulatory landscape. Please note that, in accordance with the Corporate Governance Code, the Board assigned the duties related to the internal control and risk management system, which the previous version of the Code assigned to the Responsible Director, to the Chief Executive Officer.

Control and Risks Committee
It supports the assessments and decisions of the Board of Directors – in an advisory and consultative role – concerning the internal control and risk management system as well as the approval of periodic financial and non-financial reports, and, among other duties, expresses its views on its design, implementation, and management, as well as the adequacy of the internal control system, reporting on the work carried out to the Board of Directors every six months.

Specifically, the Control and Risks Committee performs the following duties:

(i) supports the Board in performing the duties associated with the internal control and risk management system, and specifically:
   a) in defining the guidelines of the internal control and risk management system, so that the main risks facing the Company and its subsidiaries are properly identified as well as adequately measured, managed, and monitored, assessing also the level of compatibility of such risks with business operations that are consistent with the identified strategic objectives;
   b) in assessing, at least annually, the adequacy and effectiveness of the internal control and risk management system relative to the characteristics of the business and the risk profile assumed;
   c) in describing the key characteristics of the risk management and internal control system and the coordination between the parties involved in it as part of the corporate governance report, giving its opinion on the system's overall adequacy;
   d) in assessing, at least annually, the work plan prepared by the head of the internal audit function, after consulting with the control body and the Chief Executive Officer;
   e) in assessing the findings of the auditor in the letter of recommendations, if any, and the additional report for the control body, after consulting with the latter;

f) in assessing the measures intended to ensure the corporate functions involved in controls use effective and impartial judgment, ensuring they have the required professional skills and resources, and

g) in assigning the supervisory functions as per art. 6, paragraph 1, lett. b) of Italian Leg. Decree no. 231/2001 to the Supervisory Body created specifically for this purpose;

(ii) after consulting with the Manager in Charge, the independent auditors, and the Board of Statutory Auditors, assesses whether accounting standards are used properly and consistently for the purposes of preparing the consolidated financial statements;

(iii) assesses whether periodic financial and non-financial reporting is suited to presenting fairly the business model, the Company's strategies, the impact of its operations, and performance;

(iv) examines the content of periodic non-financial reporting relevant to the internal control and risk management system;

(v) gives opinions on specific aspects concerning the identification of the main business risks and supports the assessments and decisions of the governing body related to the management of risks arising from adverse events the latter has become aware of, including risks that may be relevant to the medium/long-term sustainability of the Company's operations, by conducting appropriate investigations;

(vi) examines the periodic reports on the assessment of the internal control and risk management system and the particularly relevant reports prepared by the internal audit function;

(vii) monitors the autonomy, adequacy, effectiveness and efficiency of the internal audit function;

(viii) may task the internal audit function with auditing specific operational areas, notifying the Chair of the Board of Statutory Auditors;

(ix) reports to the Board of Directors on the activities undertaken as well as the adequacy of the internal control and risk management system at least at the time of the approval of the annual and half-year financial report; and

(x) gives the Board of Directors its opinion on the appointment and remuneration of the internal audit manager, as well as the resources made available to the latter to perform their duties.

Internal Audit Manager

Reporting to the Board of Directors, the manager is responsible – through the relevant department – for ensuring the internal control and risk management system is operational, adequate, and consistent with the guidelines defined by the Board, liaising with the Control and Risks Committee and the Board of Statutory Auditors regarding the management of the system and its suitability in order to achieve an acceptable overall risk profile.

Risk & Compliance Department

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

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

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

Supervisory Body pursuant to Leg. Decree no. 231/2001
It is responsible for checking the effectiveness, adequacy and compliance of the Organization, Management and Control Model pursuant to Leg. Decree no. 231/2001 and ensuring it is constantly updated.

Board of Statutory Auditors
It is responsible for (i) supervising the effectiveness of the internal control and risk management system; and (ii) supporting the Board in assessing the findings of the independent auditors in the additional report for the control body. To ensure a timely exchange of relevant information between the Board of Statutory Auditors and the Control and Risks Committee, so that they may perform their respective duties, all members of the control body regularly take part in the work of the Control and Risks Committee.
For further information on corporate governance and the main features of the risk management and internal control systems adopted, reference should be made to the Report on corporate governance and ownership structure published on the Company's website https://group.ferragamo.com, in the section Governance/Corporate Governance Reports.

Disclosure pursuant to art. 15 of the Markets Regulation

Salvatore Ferragamo S.p.A. has taken the steps required to comply with the provisions set out in article 15 of Consob Regulation no. 20249 of 28 December 2017, which contains rules implementing the Consolidated Law on Finance with respect to markets (Markets Regulation); 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 preparing the consolidated financial statements. As at 31 December 2021, the aforementioned regulatory provision applied to the following foreign non-EU subsidiaries: Ferragamo USA Inc., Ferragamo Hong Kong Ltd, Ferragamo Fashion Trading (Shanghai) Co Ltd, Ferragamo Korea Ltd, Ferragamo Japan KK, Ferragamo Mexico S. de R.L. de C.V., Ferragamo Retail HK Limited, Ferragamo Retail Taiwan Limited, Ferragamo Singapore Pte. Ltd., Ferragamo Moda (Shanghai) Co. Ltd., Ferragamo Australia Pty. Ltd., and Ferragamo UK Limited.

In particular, Salvatore Ferragamo S.p.A.:
a) discloses, pursuant to the procedures and deadlines established by relevant regulations, the accounting records of the subsidiaries prepared for the purposes of drawing up the consolidated financial statements, including at least the statement of financial position and the income statement;
b) receives from the subsidiaries their bylaws and information about the structure and powers of the corporate bodies;
c) verifies that the subsidiaries:
- provide the Independent Auditors with the information they need to audit the annual and interim financial statements of the Holding company;
- adopt an administrative and accounting system that can ensure the regular provision to the management and to the Independent Auditors of the Holding company of the income, equity and financial data needed to prepare the consolidated financial statements.

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

10. Other information

Relations with shareholders and financial reporting

Salvatore Ferragamo S.p.A., in accordance with the recommendations in the Corporate Governance Code and in order to maintain a constant dialog with its Shareholders, potential investors and financial analysts, has set up the Investor Relators function as well as adopted an engagement policy, available at the Company's website (https://group.ferragamo.com/en/governance/corporate-governance/).

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

Majority Stake in Salvatore Ferragamo S.p.A.

As at 31 December 2021, Ferragamo Finanziaria S.p.A. held a majority stake in the share capital of Salvatore Ferragamo S.p.A., i.e. 54.276%, as per the disclosure of Ferragamo Finanziaria S.p.A. pursuant to article 120 of the Consolidated Law on Finance through form 120/A as per Attachment 4 to Consob Regulation no. 11971/1999 as amended and supplemented (the "Issuers' Regulation"). Please note that Ferragamo Finanziaria S.p.A. has requested to register the Salvatore Ferragamo ordinary shares it owns in the Special List set up by the Company pursuant to article 127-quinquies, paragraph 2, of the Consolidated Law on Finance to benefit from increased voting rights, as described below:

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

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

Considering the above, as at 31 December 2021 Ferragamo Finanziaria owned 172,998,020 voting rights, accounting for 62.17% of the Company's share capital, attached to the mentioned 86,499,010 shares, and 10,225,600 voting rights, accounting for 3.68% of the Company's share capital, attached to 5,112,800 shares. Therefore, as at 31 December 2021 Ferragamo Finanziaria S.p.A. owned 183,223,620 voting rights, accounting for 65.85% of the total.

Management and coordination of Salvatore Ferragamo S.p.A.

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

In particular, it should be noted that Salvatore Ferragamo S.p.A.:

(i) has fulfilled the disclosure obligations envisaged by article 2497-bis of the Italian Civil Code;
(ii) has independent power to negotiate with customers and suppliers;
(iii) has no centralized cash management arrangement with Ferragamo Finanziaria S.p.A.;
(iv) has an internal control and risks committee consisting of independent directors, pursuant to art. 148, paragraph 3 of the Consolidated Law on Finance and the relevant provisions of the Corporate Governance Code;
(v) has a nomination and remuneration committee to appoint directors consisting of independent directors, pursuant to art. 148, paragraph 3 of the Consolidated Law on Finance and the relevant provisions of the Corporate Governance Code.

On 14 December 2021, the Company adopted rules governing how information is exchanged between the Company and the majority shareholder Ferragamo Finanziaria S.p.A., as part of management and coordination activities or for the Shareholder to meet its legal obligations, specifically with respect to information provided selectively and considering the need to maintain confidentiality and comply with applicable laws.

Domestic fiscal unity

Salvatore Ferragamo S.p.A. adopted the domestic fiscal unity provided for by articles 117 ff. of Italian Presidential Decree no. 117 of 22 December 1986 ("TUIR", Consolidated Law on Income Taxes) and the Ministerial Decree of 1 March 2018, with the holding company Ferragamo Finanziaria S.p.A. as the consolidating company. Until 2020, the domestic fiscal unity included also Ferragamo Parfums S.p.A., which was merged into Salvatore Ferragamo S.p.A. in 2021 (for more details, please refer to the paragraph Significant events occurred during the year). The domestic fiscal unity continues uninterrupted for the 2022-2024 three-year period, as it was tacitly renewed for an additional three years under art. 14, paragraph 1, of the Ministerial Decree of 1 March 2018.

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

For information relating to the Shares held by Directors, Statutory Auditors, and Managers with strategic responsibilities, reference should be made to the Report on remuneration policy and fees paid as per article 123-ter of the Consolidated Law on Finance, prepared in accordance with art. 84-quater and Annex 3A, Scheme 7-bis of the Issuers' Regulation and article 5 of the Corporate Governance Code, available on the Company's website https://group.ferragamo.com, section Governance/Remuneration/Remuneration Report.

Treasury shares and shares or stakes in parent companies

On 22 April 2021, the Shareholders' Meeting of Salvatore Ferragamo S.p.A., following withdrawal of the previous authorization issued by the Ordinary Shareholders' Meeting to the extent not executed, authorized the Board of Directors to buy, including in multiple rounds, ordinary shares in Salvatore Ferragamo with a par value of 0.10 Euro each, up to a maximum amount that, considering the ordinary shares in Salvatore Ferragamo held from time to time by the Companies or its subsidiaries, shall not exceed 1% of the Company's share capital from time to time in accordance with article 2357, paragraph 3, of the Italian Civil Code.

On 22 April 2021, the Meeting also authorized the Board of Directors, in accordance with article 2357-ter of the Italian Civil Code, to sell, including in multiple rounds, all or part of the ordinary shares bought under the above authorization.

The Company is authorized to buy back ordinary shares in one or multiple installments, including on a rolling basis, for a period of 18 months from 22 April 2021, i.e. the date of the resolution of the Shareholders' Meeting, whereas there was no time limit for selling ordinary shares.

At the meeting held on 7 September 2021, the Board of Directors of Salvatore Ferragamo S.p.A. approved the launch of the ordinary treasury share repurchase program as authorized by the Ordinary Shareholders' Meeting of 22 April 2021.

As at 31 December 2021, Salvatore Ferragamo S.p.A. held 774,163 treasury shares, equal to 0.46% of the share capital, bought throughout 2018, 2019 and 2021 for a total outlay of around 15,532 thousand Euro, including banking fees and other tax charges, including 624,163 treasury shares purchased in 2021, amounting to 12,756 thousand Euro. On the same date, its subsidiaries did not hold any of its shares. The Group does not hold directly or indirectly shares in parent companies, and during the period it did not buy or sell shares in parent companies.

Transactions arising from atypical and/or unusual transactions

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

11. Research and development

As part of its creative and production studies, the Group incurred costs for research and development for the study of new products and the use of new materials, which were wholly charged to the income statement under costs of production.

In 2021, they totaled 23,417 thousand Euro (incurred entirely by the Parent company), compared to 21,023 thousand Euro in 2020, restated by excluding the impact of operations to be disposed of (including 20,526 thousand Euro incurred by the Parent company).

12. Transactions with related parties

In accordance with the Regulation adopted by CONSOB with resolution no. 17221 of 12 March 2010 as amended and supplemented (the "RPT Consob Regulation"), Salvatore Ferragamo S.p.A. adopted a Related Party Transaction Procedure ("Related Party Procedure") which was revised and updated by the Company's Board of Directors first on 31 July 2018, and then on 11 May 2021, so as align it with the new provisions introduced by Consob resolution no. 21624 of 10 December 2020 into the RPT Consob Regulation. The current version of the Related Party Procedure is available on the website https://group.ferragamo.com, section Governance/Corporate Governance, Procedures.

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

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

In particular, it establishes the "larger" transactions which must be approved in advance by the Board of Directors on the basis of the grounded and binding opinion of the Committee responsible for Transactions with Related Parties – which is identified in the Control and Risks Committee, except for resolutions on remuneration of Directors and Managers with strategic responsibilities for which the Nomination and Remuneration Committee is responsible – and which entail the disclosure of an information document. The other transactions, unless they fall in the residual category of low value transactions – i.e. those worth less than 100,000.00 Euro – are defined as "minor" transactions and can be executed subject to a grounded and non-binding opinion of the Committee responsible for Transactions with Related Parties.

In addition to the cases for which the Consob Regulation itself excludes the application of the relevant rules, the Company uses the following exemptions, within the limits allowed under the Consob Regulation: (i) payment plans based on financial instruments approved by the shareholders' meeting under article 114-bis of the Consolidated Law on Finance and the relevant transactions; (ii) resolutions (other than those already outside the scope of the Consob Regulation, under article 13, paragraph 1 of the latter) on the remuneration of directors holding specific positions, as well as other managers with strategic responsibilities, provided that: the Company has adopted a remuneration policy approved by the shareholders' meeting, a committee comprised exclusively of non-executive directors – most of them independent – was involved in defining the remuneration policy, and the assigned remuneration was identified in accordance with said policy and quantified based on criteria not involving judgment;

(iii) ordinary transactions, carried out on arm's length or standard terms; (iv) transactions with or between subsidiaries (including jointly) of the Company, as well as transactions with associates, as long as there are no interests classified as material of other parties related to the Company in the subsidiaries or associates that are party to the transaction; (v) urgent transactions, without prejudice to the disclosure requirements under article 5 of the Consob Regulation and the powers reserved to the Board of Directors with respect to major transactions.

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

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

13. Main risks and uncertainties

The Corporate Governance Code places special emphasis on the correlation between risks, opportunities, and the organization's strategic objectives, stressing the need to consider all elements that could be potentially relevant to achieving sustainable success, defined as "the objective that guides the actions of the board of directors and consists in creating long-term value for the benefit of the shareholders, taking into account the interests of other stakeholders relevant to the company".

Specifically, under the Corporate Governance Code, the Board of Directors shall define "the nature and level of risk compatible with the company's strategic objectives, including all the elements that can be relevant for the company's sustainable success" (see Recommendation 1(c)).

In addition, the code establishes the principle that "the internal control and risk management system consists of a set of rules, procedures and organizational structures for an effective and efficient identification, measurement, management and monitoring of the main risks, aimed at contributing to the sustainable success of the company" (see Principle XVIII).

In this regard, please note that, in line with the recommendations issued by the European Commission (Guidelines on reporting climate-related information) as part of the Action Plan on Sustainable Finance, the Salvatore Ferragamo Group began gradually incorporating climate-related risk factors into its own risk map. This involved analyzing the organization's impact on the climate as well as the climate's impact on the organization in order to confirm whether or not such risk factors actually exist, or incorporate them if required.

In addition, the Company adopts an integrated risk management model, in line with Enterprise Risk Management ("ERM") standards and best practices, inspired by the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (known as CoSO ERM").

Continuing the process already underway, during 2021 the Group conducted further investigation to incorporate ESG factors into its risk/opportunity analyses, aiming to supplement the risk portfolio, in accordance with the priorities defined by the European Securities and Market Authority (ESMA) of 29 October 2021 for the reporting year 2021, and in light of Regulation (EU) 2020/852 (EU Taxonomy) and the relevant delegated acts issued as at the date of this report, considering also the main global risks identified by the World Economic Forum (WEF).

In addition, the work carried out in 2021 included specific considerations about the handling of the Covid-19 pandemic emergency, continuing the work carried out in 2020 also in response to Consob's Warning no. 8/20 of 16 July 2020.

The process, which will continue into 2022 in order to drive continuous improvement, has therefore allowed to further raise the level of awareness, understanding and monitoring of risks and opportunities in an integrated manner within the Group, in accordance with the guidelines defined by the Corporate Governance Code as well as the main relevant regulations and the relevant scenario.

Below are the main risk factors, the main impacts, and the matters of interest to the Parent company and the subsidiaries (the Group).

The Group has identified the following types of risks: 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 and the specific section included in the Consolidated Non-Financial Statement pursuant to Italian Legislative Decree 254/2016.

Strategic risks

Risks of business interruptions caused by natural, economic, and geopolitical events, including pandemic events

The risk is associated with the possibility that natural, economic, and geopolitical events, including pandemic events, could result in a significant interruption or halt of business continuity, with economic/financial and/or reputational repercussions due to inadequate recovery strategies at the company level.

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 it. 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, of the increasing spread and use of easily accessible media channels that disseminate information to a large group of users, the failure to adopt more innovative new technologies, the dissemination of information or news, and possible crimes connected to the production chain, which, although entrusted to external workshops, may have an indirect impact on the brand.

Risks associated with the production chain procurement and management model

The organizational model adopted by the Group entrusts the production process almost entirely to expert staff in external workshops, although keeping the management and organization of the most important stages in the value chain in-house. The outsourcing of the production process could represent a risk in terms of dependence on key suppliers, supply chain management, and availability of quality raw materials and processing services. Specifically, the possibility of the termination of dealings with third parties, owing to bankruptcy or discontinuance, and also due to default or 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 entities could give rise to legal issues. Moreover, outsourcing to a supply chain not adequately qualified in terms of operational capabilities and compliance with applicable regulations, including those related to labor law and HSE (Health, Safety & Environment), may negatively affect the Group's business and image. There is an additional risk associated with price fluctuations relating to the availability of high-quality raw materials or supply-side competitive tensions, resulting in additional costs and availability issues for the Company.

IT security risks, data management and dissemination, specifically with respect to Cyber attacks

The risk is associated with the possibility that potential attacks and breaches into the IT system could cause systems to be unavailable and/or the destruction, loss, alteration, and unauthorized disclosure of, or access to, the personal data transmitted, stored, or otherwise processed by the Group, resulting in financial and/or reputational losses, including those associated with severe business interruption events. The main causes identified can be associated with:

a. attacks and breaches into IT systems, such as: malware, spyware, spam, phishing, unauthorized access or, more generally, everything associated with hacking attacks;

b. potential lack of specialist and technical skills of (external and internal) cyber security professionals;

c. potential lack of knowledge and awareness among employees about the practices/procedures/behavior to adopt with respect to cyber security.

Risks that the image of the Retail and e-commerce network is inadequate relative to the brand's image

The risk is associated with the possibility that the Ferragamo Group's Retail network and e-commerce channels do not adequately reflect the Brand's image, with repercussions in terms of strategic positioning, reputational impact, and financial losses. Specifically, the following may be especially relevant to the retail channel: location / interior and exterior design / window dressing / purchasing experience and selling ceremony / dedicated sales staff at DOS points lacking adequate skills or proper training.

Specifically, the following may be especially relevant to the e-commerce channel: website image/digital purchasing experience (from accessing the web page to receiving the product and managing returns, including customer satisfaction) / payment method, protection of sensitive consumer data.

Risks associated with the failure to align communications and collections with market and consumer needs

The risk is associated with the possibility that creative Product areas fail to recognize trends and styles, or to adequately interpret social developments, including consumers' growing focus on product transparency and sustainability, so as to produce offerings that appeal to the target and are aligned with the Brand's positioning, with repercussions in terms of image/reputation, loss of competitive advantages, and negative economic and financial effects. In this sense, the risk may also be associated with the inability to promptly recognize trends (preferences/consumer behavior) and incorporate them into the collections in a timely manner. The risk is also associated with the possibility that communication policies and processes may not be effective and/or aligned with the brand's positioning and objectives. Potential deficiencies in managing and monitoring internal and external communications through social channels increase the risk of financial and/or reputational losses.

Operational risks

Risks relating to the protection of intellectual property 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.

Risk of loss of key resources and know-how

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

Financial risks

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

Exchange rate risk

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

Counterparty risk

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

Credit risk

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

Interest rate risk

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

Liquidity risk

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

Compliance risks

Tax risk

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

Risk of non-compliance with laws and regulations, including at the European level

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

Italian and European regulations that are applicable to the Parent company as an issuer of shares traded on Euronext Milan (formerly known as Mercato Telematico Azionario), organized and operated by Borsa Italiana S.p.A., since 29 June 2011 are especially relevant to this risk. There are also specific regulations that are especially relevant to this risk, such as Regulation (EU) no. 56/2014 (MAR), concerning market abuse, consumer protection laws, intellectual and industrial property rights and healthy competition, protection of health and safety of employees and the environment, privacy, the administrative responsibility of legal entities under Italian 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, as well as implementations associated with the management of greenhouse gases.

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

In addition to the above risk categories, the Group assesses the reputational impact – which, considering its importance for the sector, could amplify the impact of a risk, regardless of the specific category.
With respect to the environment, the constantly evolving domestic and international regulatory framework and the potential introduction of additional regulations related to the circularity of materials, as well as the sustainability of products and business processes, including those aimed at reducing greenhouse gas emissions into the atmosphere, may result in sustainability-related impacts.

Main impacts in terms of sustainability

Concerning specifically climate change and the relevant risks factors, the Group has analyzed also the main impacts in terms of sustainability for each of the above risk categories.

With respect to strategic risks, climate change and the public's attention on this issue could affect customer preferences, causing changes in purchases of certain product categories – not core to the Group's business – and potentially the procurement of certain raw materials, while at the moment it is not possible to contemplate a reduction in the quality of the raw materials used in the production cycle. Therefore, the Group monitors climate change-related risks to reduce repercussions on its operations.
At the moment, the Group does not report material impacts on operational risks caused by climate change.

With respect to financial risks, in the future the Group may be exposed to potentially greater costs and investments associated with adapting the manufacturing and distribution structure, in order to mitigate the potential impacts of the business on climate change. The Group does not currently anticipate significant costs and investments in this regard.

Finally, with respect to compliance risks, the impacts in terms of sustainability are associated with the failure to comply with environmental laws and regulations the Salvatore Ferragamo Group may be subject to. The Group monitors the constant evolution of the domestic and international regulatory framework as well as the potential introduction of additional regulations aimed at reducing the environmental impacts of the business. At the moment, no law that materially affects the Group has been passed; should the regulatory framework change, the Group will adapt its actions accordingly.

14. Significant events occurred after 31 December 2021

On 1 January 2022, Mr Marco Gobbetti took on the position of director, Managing Director and General Manager of the Company, with all the powers of ordinary administration, as per the resolution of the company's Board of Directors dated 14 December 2021, while Michele Norsa resigned from his position as director and Executive Deputy Chair. Effective 1 January 2022, the director Angelica Visconti took on the position of the Company's Deputy Chair.

15. Macroeconomic situation and outlook

The short-term economic outlook remains uncertain. Since the end of 2019 and throughout 2020, the Covid-19 pandemic has caused a significant adverse shock that is having a strong negative impact on business operations, affecting both supply and demand. 2021, saw a moderate recovery in global economic activity, although supply-side bottlenecks and the spread of the more contagious Delta variant of the virus clouded the short-term growth outlook – even though financial markets have stabilized as an accommodating monetary policy ensures the credit system continues working as usual. Over the medium term, thanks also to strong progress on the vaccination campaign, the economy is expected to reopen further. After a global recession in 2020, the new estimates released by the International Monetary Fund in January 2022 point to GDP growing by an estimated 5.9% in 2021 and 4.4% in 2022. With respect to the world's major economies, GDP is expected to rise by 5.6% in 2021 and 4.0% in the following year in the US, by 5.2% in 2021 and 3.9% in 2022 in the Euro Area, and by 8.1% in 2021 and 4.8% in 2022 in China. The risks facing this baseline scenario are largely associated with the future evolution of the pandemic, the outlook for inflation, which is currently above the average for the recent past, and the development of the conflict between Russia and Ukraine; concerning the latter, the Group does not own interests in entities located in the areas currently affected by the conflict, where it operates through local distributors that do not account for a significant percentage of the Group's sales.

Looking ahead, the resiliency of the pandemic in certain areas as well as the conflict in Ukraine and its geopolitical implications determine an extremely complex and unpredictable scenario. Therefore, Management believes it cannot make forecasts for the current year.

16. Separate Financial Statements as at 31 December 2021 of Salvatore Ferragamo S.p.A. - Proposal for approval

Dear Shareholders,
relying on your approval to the structure and basis of presentation of the separate financial statements for the year ended 31 December 2021, we:

1. submit the 2021 Separate Financial Statements to your approval;

2. recommend approving the allocation of the profit for the year 2021, totaling 32,799,914 Euro, to the Extraordinary Reserve, and to approving also the payment of part of the profits set aside in the Extraordinary Reserve to shareholders, amounting to:
   - a gross dividend of 0.34 Euro for each of the 167,102,100 ordinary shares outstanding (net of 1,687,900 treasury shares), for a total of 56,814,714 Euro.

Florence, 8 March 2022

On behalf of the Board of Directors

The Chair
Leonardo Ferragamo

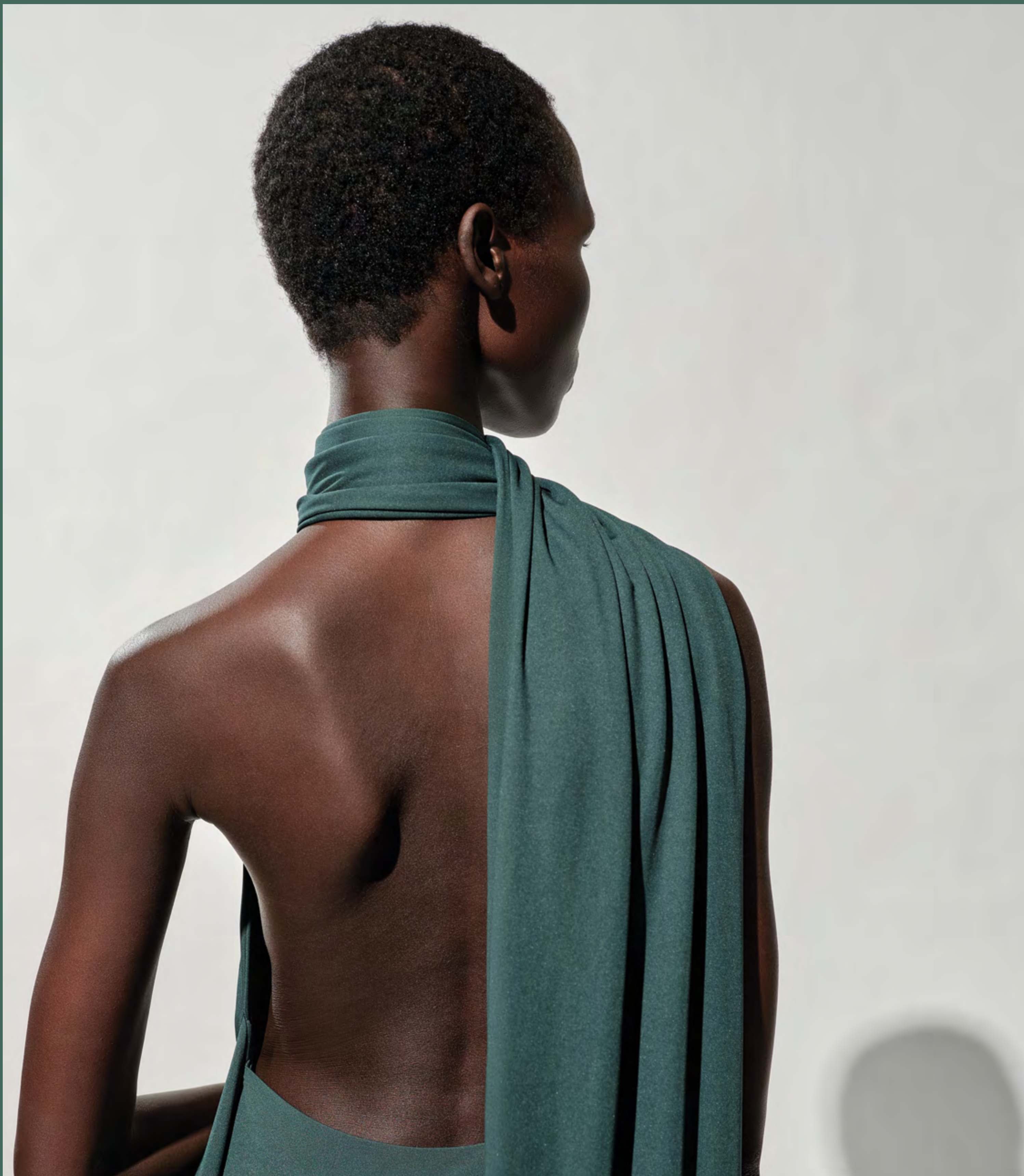
Consolidated Non-Financial Statement
pursuant to Italian Legislative Decree 254/2016

Our commitment to sustainable development

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

Commitment to sustainability of Salvatore Ferragamo

During 2021, the sustainability strategy of the Salvatore Ferragamo Group was further consolidated, to meet the needs of the various stakeholders in this post-Covid 19 restart phase. Social responsibility was, in fact, placed at the very center of the Group's decision-making process, seeking to grow the business while also taking into consideration the positive and negative impacts of its operations on society and the environment.
For Salvatore Ferragamo, investing in sustainable development means believing in the use of innovative materials, in the connection with the community and the local territory, and in the respect for the environment and its own people. These values, handed down by the Founder, are essential not only for the success of the Company, but for all stakeholders.
The commitment to sustainability, intended as a behavioral model to be followed without compromise, has been structured over the years and draws inspiration from the values that underlie the very history of the Salvatore Ferragamo Group: a passion for world-class craftsmanship, creativity and Made in Italy innovation. Understanding and respecting these values translates into ethically correct behaviors, both inside and outside the Group, supporting it in terms of economic growth and credibility.



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Methodology

Methodology

This section of the Board of Directors' Report represents the Consolidated Non-Financial Statement (hereinafter also referred to as "NFS", "Non-Financial Statement" or "Sustainability Report") pursuant to Italian Legislative Decree no. 254 of 30 December 2016 implementing Directive 2014/95/EU of the companies belonging to the group consisting of Salvatore Ferragamo S.p.A. and its subsidiaries (hereinafter also referred to as the "Group" or "Salvatore Ferragamo Group") for the period from 1 January through 31 December 2021.

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

The NFS was prepared to ensure the understanding of the Group's operations, performance, results and impact, addressing the topics considered material and set out in articles 3 and 4 of Italian Legislative Decree 254/2016. The contents being reported on in this document have been selected based on a structured materiality analysis, which was updated in 2020, downstream of a trend and scenario analysis, both in Italy and globally, and made it possible to identify the most important sustainability issues for the Group and its stakeholders, as detailed in the section "Stakeholders and materiality". In addition, the provisions of the European Commission's "Guidelines on Non-Financial Reporting" have also been considered for the definition of the contents. For completeness of information, it should be noted that during 2021 a critical study of the materiality analysis was carried out, in order to verify whether there were any deviations to be taken into consideration in the disclosure, with respect to the update that took place in 2020.

In order to avoid redundancies and facilitate the overall reading of the document, the NFS provides integrated information on the issues required by Italian Legislative Decree 254/2016 also by referring to other sections of the Directors' Report, if the information is already contained therein or in case of further in-depth analysis.

The NSF is structured in 4 macro-sections:

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

The document is completed by the "EU Taxonomy", "Annexes", "Boundaries of the Group's Material Topics" and "Table of GRI Indicators" sections.

The scope of social and environmental data and information is limited only to the subsidiaries consolidated on a line-by-line basis[6].

Nonetheless, it should be noted that with reference to the information and data relating to environmental issues, during 2021 an analysis was undertaken in order to identify the stores (DOS) which are considered relevant to ensure the necessary understanding of the Group's business, its performance, results and environmental impact. For the year 2021, the scope of the stores has been in line with the criteria for calculating the Group's science-based targets, approved by the Science Based Targets initiative in August 2020. This scope excludes DOSs opened after 30 June of the reporting year and represents about 70% of the Group's headcount. In addition, it should be noted that, with reference to stores, in line with 2020, data on water consumption and waste production for 2021 were not calculated since not considered material.

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

Ways of presenting quantitative data other than the above are expressly indicated in specific notes. In addition, to present fairly the Group's performance and ensure data reliability, the use of estimates has been limited as much as possible. Any estimates in this document are made using the best available methods and expressly noted. Where possible, the information contained in the NFS has been provided along with a comparison to the year 2020.

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

[6] The list of companies consolidated on a line-by-line basis is given below: Ferragamo France SAS, Ferragamo U.K. Limited Ltd, Ferragamo Suisse SA, Ferragamo Monte-Carlo SAM, Ferragamo Belgique SA, Ferragamo Deutschland GmbH, Ferragamo Espana SL, Ferragamo Retail Nederland BV, Ferragamo Austria GmbH, Ferragamo USA Inc, Ferragamo Canada Inc, S Fer International Inc, Sator Realty Inc, Ferragamo Mexico S. de R.L. de C.V., Ferragamo Chile SA, Ferragamo Argentina SA, Ferragamo Brasil Roupas e Acessórios Ltda, Ferragamo Japan KK, Ferragamo Hong Kong LTD, Ferragamo Australia Pty, Ferragamo Korea Ltd., Ferragamo (Singapore) PTE. LTD., Ferragamo Retail India Private LTD, Ferragamo (Thailand) LIMITED, Ferragamo (Malaysia) Sdn Bhd, Ferrimag Limited, Ferragamo Retail Macau Ltd., Ferragamo Retail HK Ltd, Ferragamo Retail Taiwan Ltd, Ferragamo Moda (Shanghai) Co. Ltd, Ferragamo Fashion Trading (Shanghai) Company LTD. Please note that for the company Ferragamo Retail India Private LTD, only staff-related data is reported as it is a non-operating company. Although the company Ferrimag Limited is consolidated on a line-by-line basis, no non-financial data are reported as they do not exist.
Finally, it should be noted that on 16 April 2021 Salvatore Ferragamo S.p.A. ("the Company"), as the merging company, and Ferragamo Parfums S.p.A., wholly owned by the Company, as the merged company, implemented the resolutions of the Board of Directors and of the Shareholders' Meeting of the merged company, both held on 15 December 2020, with the signing of the notarial deed of merger by incorporation of Ferragamo Parfums S.p.A. into the Company. The merger is effective retroactively as of 1 January 2021 for accounting and tax purposes and effective as of 1 May 2021 for legal purposes. On 7 July 2021, the parties defined and agreed the terms of the transfer of the fragrances business from Salvatore Ferragamo S.p.A. to the Inter Parfums, Inc. group, with the grant of an exclusive global license to produce and distribute Salvatore Ferragamo-branded fragrances. The transfer of the fragrances business to the Inter Parfums, Inc. group closed on 1 October 2021.

a. "the Group" refers to the Salvatore Ferragamo Group ("Group" means the Parent Company Salvatore Ferragamo S.p.A. and the subsidiaries consolidated on a line-by-line basis);
b. "Salvatore Ferragamo", "the Company", "the Parent Company" refer to Salvatore Ferragamo S.p.A.;
c. "Italy" refers to the main area of business of Salvatore Ferragamo S.p.A. and Ferragamo Parfums S.p.A., unless otherwise specified;
d. "Ferragamo" refers to the Salvatore Ferragamo Brand.

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

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

The NFS, pursuant to the provisions of Italian Legislative Decree 254/2016, is annual and was submitted to the Control and Risk Committee for examination and evaluation and subsequently approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 8 March 2022.

The process of collecting and processing data and information was managed by the Salvatore Ferragamo S.p.A. Sustainability Working Group, also thanks to the adoption, in 2021, of an IT platform for collecting and consolidating non-financial data. The change has been integrated into the updated version of the Procedure for drafting, approving, publishing and filing the Non-Financial Statement.

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

Since the very beginning, the Salvatore Ferragamo Group has always considered sustainability as a model of conduct to follow without any compromises, and it has achieved significant results in this area over the years. In order to further strengthen its commitment, in 2017 the Group developed a Sustainability Policy and embarked on a continuous improvement process through the adoption of a Sustainability Plan. This Plan, which includes four macro-areas and multiple objectives, defines the Salvatore Ferragamo Group's strategic vision on sustainability and will guide the short- and medium-term actions of the Group. In 2021, Salvatore Ferragamo also renewed the certification of its integral sustainability with SI Rating, obtaining the Gold certificate.
As further evidence of the Group's deep commitment to integrating sustainability into its business operations, some of the main initiatives implemented in each area are outlined below.

ENVIRONMENT
The Group considers the protection of the environment in which it operates to be of fundamental importance: following the definition of science-based targets, several activities aimed at reducing the carbon footprint have been launched. In 2021, Salvatore Ferragamo obtained the ISO 14067 - Carbon Footprint certification for the Earth Top Handle bag, a re-edition of the iconic model in a sustainable key, and for the F-80 Skeleton watch, compensating for the emissions associated with the production and distribution of the two products through sustainable forest management and energy efficiency projects. Moreover, also in 2021, it achieved an A score in the climate change section of the CDP, which it has been compiling since 2017, joining the prestigious A-List, and published its Manifesto for Biodiversity, which formalizes the Group's commitment to the protection of biodiversity, with the aim of contributing positively to environmental protection. In 2019, it obtained ISO 14001:2015 certification for all its Italian offices and stores; the latter were also certified ISO 14064. The Salvatore Ferragamo's Logistics Hub, inaugurated in 2018, obtained the LEED Platinum certification, the highest possible, in 2019 and, in 2020, the new Salvatore Ferragamo Archive, located in the renovated M building of the Osmannoro site, for which the LEED Platinum certification was also obtained in 2020, was inaugurated. The Group intends to continue its commitment to environment protection, optimizing and making consumption and greenhouse gas emissions more efficient, both for the Group's offices and stores, and continuing the process to obtain certifications.

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

SOCIAL MATTERS AND RESPECT FOR HUMAN RIGHTS

As regards culture and the local community, the Group directs significant attention and resources to developing artistic and cultural initiatives, in line with the Group Charity Policy.

Following the spread and prolonged duration of the Covid-19 pandemic, confirming the importance that the Salvatore Ferragamo Group attributes to health and safety issues, the Company organized the work of its employees in such a way as to guarantee the highest standards of health and safety. The Italian administrative offices and stores of Salvatore Ferragamo S.p.A. are ISO 45001 certified. This aspect is also important along the whole supply chain: during 2021, the Group further strengthened the audit activities undertaken on its suppliers and contract manufacturers, continuing a monitoring plan to verify compliance with the Supplier Code of Conduct.

To provide customers with products that meet the highest international safety standards, the Group has adopted Restricted Substances Lists, which it updates regularly, for the different product categories, and has been conducting eco-toxicological tests on numerous components and finished products for several years now.

Finally, the Group constantly strives to ensure respect for human rights both internally and throughout the supply chain. In 2019, the Parent Company obtained the SA8000 social responsibility certification for the scope of its Italian operations and adopted the Anti-Child Labor Policy, which aims to further formalize the corporate commitment in this field.

ATTENTION AND CARE FOR ITS HUMAN CAPITAL

The Group has always been committed to promoting and enhancing the potential of its human capital as well as to offering a stimulating work environment, in accordance with corporate welfare principles. The attention and care for employees are expressed not only in the Group's Sustainability Policy, but also in the Parent Company's Business Regulations. Moreover, in order to confirm the importance played by the principles of diversity and inclusion, during 2020 the Group launched a cultural change process linked to the issues outlined in its Inclusion Policy, adopted in 2019. In addition, in 2021, it launched two training courses in Italy related to the issue of disability, to help raise awareness among employees on this issue and foster a positive relationship between disability and the work environment.

ANTI-CORRUPTION AND ANTI-BRIBERY

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

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


Salvatore Ferragamo
SF
WE ARE A DREAM


Salvatore Ferragamo

Culture of sustainability

The sustainability journey

Since 2014, a cross-functional working group called Green Team has been set up

The Group's journey towards sustainability started in 2014, when, with the aim of ensuring transparency in respect of its operations, Salvatore Ferragamo undertook a reporting process on initiatives related to social responsibility, drawing up the first Sustainability Report according to international guidelines. Since 2016, this process has been extended to the entire Salvatore Ferragamo Group.

Since 2014, in order to ensure an integrated approach to managing sustainability-related topics, a cross-functional working group called Green Team has been set up, dedicated to designing and promoting corporate responsibility initiatives. The Team consists of people from several corporate functions, allowing to bring together cross-functional skills in order to promote all-around sustainability. The main responsibility of the Green Team is improving the quality of the workplace and the internal and external impact of the Company's operations, as well as facilitating a direct relationship with the local community in all its environmental and human facets. The specific structure of the Green Team enables the development of sustainability initiatives in the fields of Communication, Research & Development, Logistics, Operations, Purchasing of Raw Materials, eCommerce, Merchandising, Environment and Safety, Community & Charity, Museo and Fondazione Ferragamo, Human Resources, Mobility, Store Planning, Finance, Planning & Control and Information Systems. In 2021, the Team was further expanded to include representatives from the Legal and Product Development functions.

In 2016, the Company, with a view to transparency and stakeholder engagement, created on the Salvatore Ferragamo Group website a section entirely dedicated to corporate responsibility, which illustrates the main social and environmental sustainability projects that the Group has promoted over the years. In 2021, the new sustainabiliy.ferragamo.com website was launched. The new version offers a completely updated design and a more effective and intuitive user experience. The experience was made inclusive and global, thanks to the optimization of the website for all devices and its availability in 8 languages. In addition to the updated corporate website on sustainability, in 2021 the Company also launched Sustainable Thinking, a digital platform that connects the Maison's projects and activities in a single conceptual dimension. The platform aims to stimulate new and innovative ideas thanks to an international network of contributors with different backgrounds and experiences, ready to discuss and address issues in harmony with the continuous evolution of sustainable practices.

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

More recently, the growing importance of sustainability issues has led to environmental, social and governance factors playing an increasingly important role in medium/long-term investment decisions. For this reason, the Salvatore Ferragamo Group decided to undergo again a corporate sustainability assessment in 2021, in order to better understand its position and performance in the Environmental, Social, Governance (ESG) area.
As evidence of its strong focus on sustainability management in multiple areas, in 2021, Salvatore Ferragamo obtained the highest level of the SI Rating certification, i.e. Gold. Based on internationally recognized tools and on SASB's (Sustainability Accounting Standards Board) materiality map, the SI Rating is the first algorithm that brings together, on a single platform, all the internationally recognized tools of the ESG criteria and the 17 UN SDGs contained in the 2030 Agenda, to help evaluate the level of sustainability management in organizations. Moreover, also in 2021, the Company was included in the MIB® ESG index, the first ESG index that tracks Italian blue-chips, designed to identify major listed Italian issuers that present best practices in this area.
Also with regard to ESG-related activities, in 2020, Salvatore Ferragamo took out a credit line for a total maximum amount of 250 million Euro with Intesa Sanpaolo S.p.A.. The loan was granted to support specific ESG targets of Salvatore Ferragamo and to finance general cash requirements of the Parent Company, with a bonus mechanism expected upon achievement of certain sustainability parameters. Moreover, in 2021, the Company signed two loans, both in the amount of 80 million Euro, one with Unicredit and the other with Banca Nazionale del Lavoro. The loans are structured according to a mechanism that rewards the achievement of certain environmental and social sustainability parameters.

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

Over the years, the Company's commitment to sustainability has been strengthened thanks also to its membership to important associations and networks with a view to sharing experiences and best practices.

In August 2019, Salvatore Ferragamo has subscribed to the Fashion Pact, a coalition that brought together over 250 leading fashion and textile brands to set out strategic and concrete targets for reducing the environmental impact of this important industry. Supported by some of the leading experts in scientific research and ecosystem preservation, the Fashion Pact has set concrete targets focusing on three areas:

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

In order to bring the knowledge of all members of the Pact into line and ensure the achievement of the set targets, also during 2021, the Fashion Pact in collaboration with the delivery partners – companies with technical expertise on the three pillars – organized several activities and webinars and shared information documents.
Moreover, Salvatore Ferragamo is part of the Fashion Pact Steering Committee, made up of a number of CEOs of member brands, in order to maintain an open dialog between company executives and openly share ideas, guidelines and progress.

Since August 2021, the Company has joined the Leather Working Group (LWG), a not-for-profit organization made up of stakeholders across the leather supply chain. The main objective of the LWG is to provide, maintain and develop audit protocols, with the aim of verifying the compliance and environmental performance of lather manufacturing facilities around the world, promoting sustainable and appropriate practices in respect of the environment. Thanks to its participation in the LWG, the Company has access to a consolidated environmental audit system, developed by the leading international players in the leather industry and is audited with the aim of promoting responsible environmental practices across the leather supply chain.

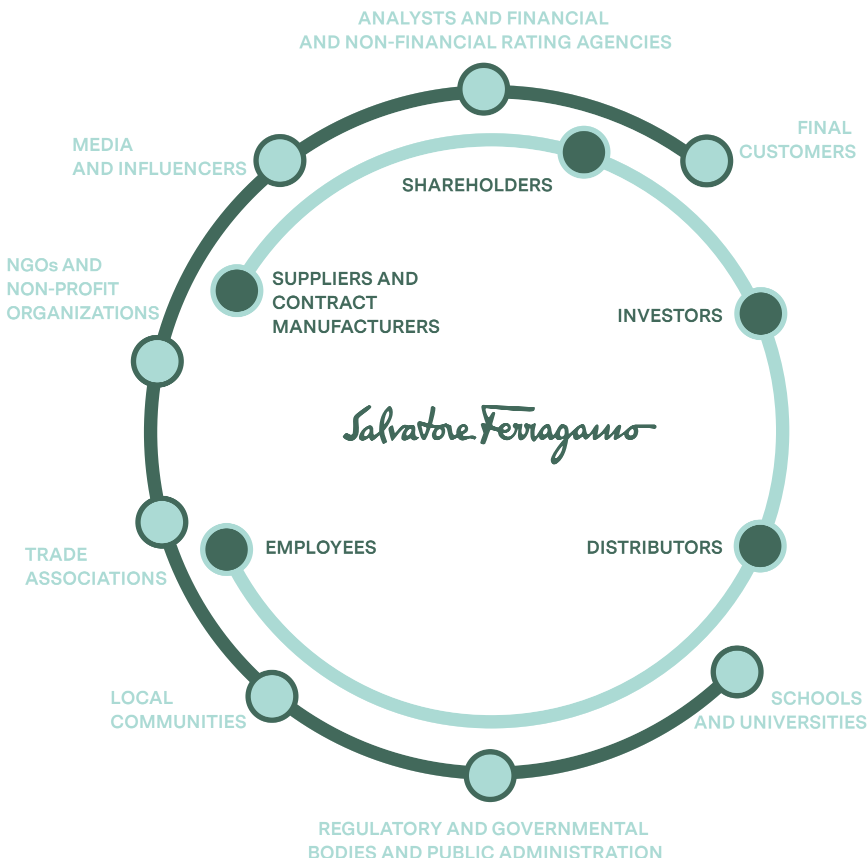
In order to implement the universal principles of sustainability and support the United Nations' goals, in December 2018, the Salvatore Ferragamo Group joined the United Nations Global Compact, the world's largest corporate sustainability initiative. The United Nations Global Compact provides a universal language for social responsibility and a framework for businesses of all sizes, complexity and location. Moreover, this initiative supports companies in working responsibly and making strategic decisions to promote broader social goals. Each year, the Company takes part in workshops and webinars organized by the Global Compact in order to provide companies with training and support in various areas. In 2021, Salvatore Ferragamo also participated in the drafting of the "Italian Business and Decarbonization: a just and inclusive transition" Position Paper. The aim of the paper is to solidify the commitment of Italian companies participating in the United Nations Global Compact on the issue of decarbonization, enhancing the efforts made and the results recorded so far to support the targets of the Paris Agreement and of the European ambition to achieve net-zero emissions by 2050.

In October 2017, the Company signed the Manifesto for a Circular Economy, which establishes an Alliance to promote innovative and sustainable projects. The Italian Alliance for the Circular Economy, promoted by Enel and Intesa Sanpaolo, involves various "Made in Italy" businesses from different sectors, recognized worldwide. The collaboration aims to develop business models based on sharing, extending products' useful life, re-using and using renewable resources. In November 2018, the Alliance presented a Position Paper with the aim of bringing the issue of the circular economy at the very heart of the political agenda and of making proposals for the development of Italian projects on circularity. In September 2020, a new version of the Position Paper was released, which identifies priority actions, valuable experiences and makes concrete proposals for the development of circularity in Italy. Together with the Position Paper, the Alliance website was also created and made available to the public. In 2021, four thematic working papers were also published: "Measuring Circularity", "Circular Economy and Finance", "Circularity and Climate Change" and "The Circular Economy in Territories and Cities". The Papers, presented through online meetings, were published on the Alliance website.

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

Since August 2021, the Company has joined the Leather Working Group, a not-for-profit organization for the leather supply chain

Stakeholders and materiality



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

An approach focused on transparency, integrity and reliability

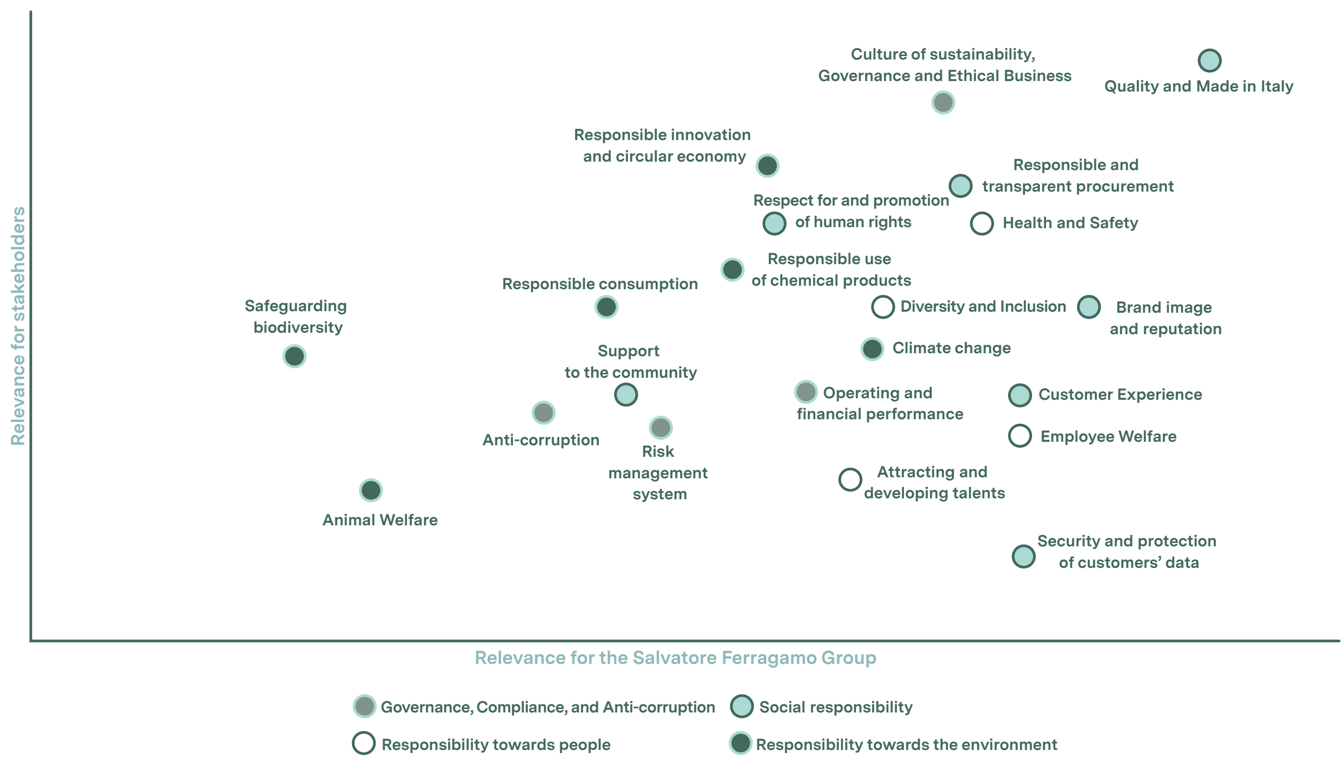
The materiality analysis reflects the topics material to the Group as well as the concerns and expectations of its stakeholders

The Salvatore Ferragamo Group's materiality analysis focuses on relevant aspects both for the Group and for its stakeholders. First developed in 2014 with the involvement of the Green Team and Top Management, the materiality analysis was subsequently updated in 2016, 2018 and 2020, and further developed in 2021, in accordance with the Guidelines of the Global Reporting Initiative (GRI Standards) as well as the AA1000 Stakeholder Engagement Standard Guidelines for identifying, mapping and defining stakeholders' expectations as well as for processing the results of their engagement and prioritizing them. This is also in line with the corporate Procedure for the preparation of the NFS ("Procedure for drafting, approving, publishing and filing the NFS").

In 2020[7], the materiality analysis was updated by engaging different categories of stakeholders, both internal and external to the Group, called upon to express their opinion in the process of defining, assessing and prioritizing material topics. The first phase of the materiality update involved the identification of all potential material topics for the Group, thanks to the analysis of corporate documentation (Code of Ethics, Annual Report, Strategic Plan, etc.), external documents on scenario changes and assessment questionnaires of sustainability rating companies, and through a comparison with the reference sector. Subsequently, an online questionnaire was prepared with the aim of identifying, through the assignment of scores, those topics that, for their significance and relevance, should guide the process of preparing the Non-Financial Statement. This questionnaire was submitted to the Top Management, the Group's Regional Directors, the Green Team and a selected group of Ferragamo employees. Moreover, online dissemination enabled the Company to reach numerous external stakeholders, including suppliers, NGOs and non-profit organizations, schools and universities and local public bodies. In parallel with the online questionnaire, two training sessions on the Animal Welfare Policy were held in October 2020, aimed at suppliers of raw materials and finished products of animal origin of the Group and some retail staff, in order to share the contents and aims of the Policy and collect feedback and comments through a stakeholder engagement activity.

It should also be noted that, during 2021, the Group fostered further opportunities for listening and discussion, aimed at expanding the scope of its materiality analysis, which complement those organized in previous years. In particular, two specific workshops were held, one with Top Management and the other with the Green Team, to take a closer look, from a predominantly strategic perspective, at the relevance of the material topics identified in view of the changing reference context. During the meetings, important feedback was received on the main sustainability trends and levers, as well as in

[7] Additional references to previously conducted stakeholder engagement activities are available in previous editions of the NFS. Over the years, stakeholder engagement activities have seen the involvement of Top Management, committees and internal reference functions, Group employees, including Store Managers and Assistant Store Managers, important academic institutions, as well as suppliers and workers.



relation to the material topics identified. The sessions included the active involvement of stakeholders, through interactive digital voting, as well as sharing and discussing the results.
Moreover, specific online questionnaires were shared internally with the members of the Control and Risk Committee, with the Group's Regional Directors and with other functions at the corporate level, to once again take a close look at the perspectives and internal evaluations relating to identified materiality topics and to generate ideas for improvements in non-financial reporting practices. During 2021, the Group subsequently extended specific questionnaires to Store Managers in Italy, Europe, America, Asia Pacific and Japan, recording a response rate of about 75%. Thanks to these activities, it was possible to receive important feedback and collect ideas on the materiality of the identified topics, allowing the Group to grasp, even if indirectly, the perception that customers and the market have in relation to the Ferragamo Group's commitment to sustainability and how this is reflected in its products.
The result of the analysis carried out in 2020, as well as the further study carried out in 2021, shown in the materiality matrix, was shared with the CEO, the Control and Risks Committee, Top Management and the Green Team. Compared to the matrix from the previous reporting period, some slight shifts should be noted for 2021: for the "Culture of Sustainability, Governance and Ethical Business", "Employee Welfare", "Security and protection of customers' data" topics, in terms of relevance to the Group; whereas for the "Customer Experience" and "Brand Image and Reputation" topics, in terms of their growing relevance for stakeholders.

BUSINESS COMMITMENTS AND STAKEHOLDER EXPECTATIONS

Stakeholders	Summary of commitments and activities	Summary of engagement actions	Summary of stakeholder expectations
Final customers	The Group continues to pursue several initiatives aimed at customer satisfaction, adopting a customer-centric strategy that allows anticipating the needs of existing and potential customers in order to create short-, medium- and long-term value. Among the many commitments undertaken, in particular, the Group's strategic Sustainable Thinking approach and work in the field of anti-counterfeiting should be mentioned.	· Business projects aimed at greater understanding and involvement of customers (Stardust, Virtual Showroom, ClientiAmo App); · Relationships related to the sales process (store and eCommerce).	· Quality, safety, traceability and sustainability of products and materials; · Quality and customized shopping experience; · Ongoing assistance and consultancy services; · Information on the correct use and storage of products.
Financial and non-financial analysts and rating agencies	The Group is committed to communicating financial and non-financial information in a transparent and timely manner, in view of the best practices and best methodologies available.	· Structured relationships as part of requests for financial and non-financial information.	· Transparency, timeliness and reliability of financial and non-financial information.
Trade associations	The Group maintains constructive relationships with trade associations, also with a view to promoting an understanding of the needs and trends of the Fashion & Luxury markets, facilitating discussion and contributing to the sustainable development of the sector and of Made in Italy.	· Contribution to events and activities; · Specific meetings and conferences, including in the area of sustainability.	· Compliance with the requirements for participation and active involvement on the Group's part in the dialog and in the events and/or activities promoted; · Sharing industry-relevant insights (e.g. sustainability trends, global initiatives, sales trends of specific products); · National and international collaborations and initiatives aimed at promoting Made in Italy in the world.
Media and influencers	The Group maintains a close and ongoing collaboration with the media and influencers, including through interviews, presentations and dedicated events, committing itself to contributing to the promotion of information campaigns related to sustainable innovations, new circular trends, industry innovations or any actions taken in favor of the community and the environment.	· Interviews; · Corporate events; · Press conferences.	· Timely and truthful communication of the Group's performance and of the main market innovations introduced; · Presentation of the social, cultural and environmental initiatives undertaken; · Presentation of the innovations developed and of trends in the area of sustainability.
NGOs and non-profit organizations	The Group constantly dialogs with NGOs and with the Third Sector world, contributing to specific projects: in fact, it has been engaged in initiatives and collaborations dedicated to the well-being and health of women and children for years. To this end, the Group promotes paying close attention to the requests and expectations of the many non-profit organizations, maintaining a close collaboration with them focused on supporting local communities.	· Dialog and collaboration with non-profit organizations, including through the provision of donations, contributions and sponsorships.	· Participation and support of the Group in cultural development and social inclusion projects.
Local communities	The Group carries out its activities paying close attention to the needs of the territories in which it operates, with the aim of extending the positive impacts of its activities to local communities.	· Initiatives for the involvement of local communities; · Continuous relationship with the main local players.	· Implementation of business practices that protect the territory; · Promotion of local development.

Stakeholders	Summary of commitments and activities	Summary of engagement actions	Summary of stakeholder expectations
Regulatory and government bodies and Public Administrations	The Group engages with regulatory and government bodies and Public Administrations with the utmost integrity and fairness, on the basis of the principles, roles and responsibilities identified pursuant to current legislation in force, to maintain a constructive collaborative relationship and at the service of the community's interests.	· Formal communications, in the various areas of reference (e.g. Governance, Tax).	· Compliance with current regulations; · Anti-corruption and anti-bribery; · Prevention of crimes pursuant to Legislative Decree 231/2001; · Reliability and transparency towards the needs of Public Administrations.
Schools and universities	The Group promotes an inclusive dialog with universities, training schools and national and international research centers, including with the aim of sharing passion and expertise in relation to the Fashion & Luxury sector with the new generations.	· Workshops; · Online questionnaires; · Training activities and initiatives; · Collaborations with universities and research centers.	· Promotion of youth employment and research & development, including in the sustainability field; · Development of activities of interest, with the active involvement of students.
Employees	The Group has always been committed to fostering development and recognizing the value of its employees, including by offering a stimulating work environment, attentive to corporate welfare. Confirming the importance played by the principles of diversity and inclusion, during 2021 the Group launched two training courses in Italy related to the issue of disability, to help raise awareness among employees on this issue and foster a positive relationship between disability and the work environment.	· Online sustainability questionnaires; · Knowledge Sharing sessions.	· Safe and fair workplaces; · Respect for the principles of diversity, equity and inclusion; · Employment stability and corporate welfare; · Opportunities for personal and professional growth; · Fair remuneration policies and meritocratic systems; · Compliance with labor laws in force.
Distributors	The Group has always promoted a close dialog aimed at creating and maintaining stable and lasting collaborative relationships with its distributors.	· Online questionnaires; · Normal business relationships.	· Compliance with contractual conditions; · Fair and non-discriminatory treatment.
Investors	The Group interacts on an ongoing basis with investors, ensuring a transparent, constant, clear, accurate and timely dialog.	· Normal Investor Relations; · Shareholders' Meetings; · Corporate visits.	· Transparency in relation to its financial and non-financial performance; · Continuous improvement in the ESG field.
Shareholders	One of the main objectives of the Group is to ensure the sustainable success of the business, including with a view to creating added value for its shareholders. In this context, the Group interacts on an ongoing basis with shareholders, adopting the best Investor Relations practices.	· Normal Investor Relations; · Shareholders' Meetings; · Corporate visits.	· Share value growth; · Transparency in relation to its financial and non-financial performance; · Continuous improvement in the ESG field.
Suppliers and workshops	The Group supports a close dialog aimed at creating and maintaining stable and lasting collaborative relationships and promotes the adoption of ethical, as well as socially and environmentally responsible behavior amongst its suppliers and workers.	· Workshops; · Online sustainability questionnaires; · Use of the FerragamoLink internal platform; · Normal procurement relationships.	· Compliance with contractual conditions; · Continuity in supply demand; · Fair and non-discriminatory treatment.

Sustainability Plan and SDGs

To confirm its commitment to sustainable development, as from 2016, the Salvatore Ferragamo Group launched a procedure for defining its sustainability goals, starting from the analysis of the United Nations' Sustainable Development Goals (SDGs) and translating them into concrete actions to be developed in-house. This process drew to a close with the identification of the main goals to be pursued in its operations and with the adoption, in 2017, of the first Group's Sustainability Plan. The Plan, updated annually, aims to create a shared vision of the direction taken at Group level and to promote a culture of sustainability that respects, protects and promotes excellence. The plan aims to map the targets as they are achieved, while integrating new challenges for future development. The document is shared with top management and the Control and Risk Committee, which oversees sustainability issues related to the Company's operations and its interaction with all stakeholders.

After signing the Fashion Pact, in 2019 the Group stepped up its commitment in the field of environmental protection by integrating three additional UN Sustainable Development Goals (SDGs) into the Sustainability Plan: "Climate action", "Life below water" and "Life on land".

The Salvatore Ferragamo Group's Sustainability Plan outlines the individual actions required to achieve the long-term goals defined with the signing of the Fashion Pact and with the adoption of science-based targets.

In particular, the Sustainability Plan identifies specific initiatives to be implemented over three years in order to achieve the following goals:

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

TARGET	TIMING
25% of raw materials with low environmental impact	2025
100% renewable energy in all its activities	2030
Supporting **zero deforestation** and **sustainable forest management** and development of **individual projects** on biodiversity (2020)	2025
Elimination of problematic and unnecessary plastics in B2C packaging by 2025, and in B2B packaging by 2030	2025/2030
At least half of all plastic packaging made from 100% recycled material by 2025 for B2C, and by 2030 for B2B	2025/2030
42% reduction in Scope 1 and Scope 2 absolute GHG emissions by 2029 compared to 2019 (science-based target)	2029
42% reduction in Scope 3 absolute GHG emissions, deriving from the purchase of goods and services and from the downstream transport and distribution, by 2029 compared to 2019 (science-based target)	2029

GOOD HEALTH

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

QUALITY EDUCATION

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

RENEWABLE ENERGY

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

DECENT WORK AND ECONOMIC GROWTH

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

SUSTAINABLE CITIES AND COMMUNITIES

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

RESPONSIBLE CONSUMPTION

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

CLIMATE ACTION

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

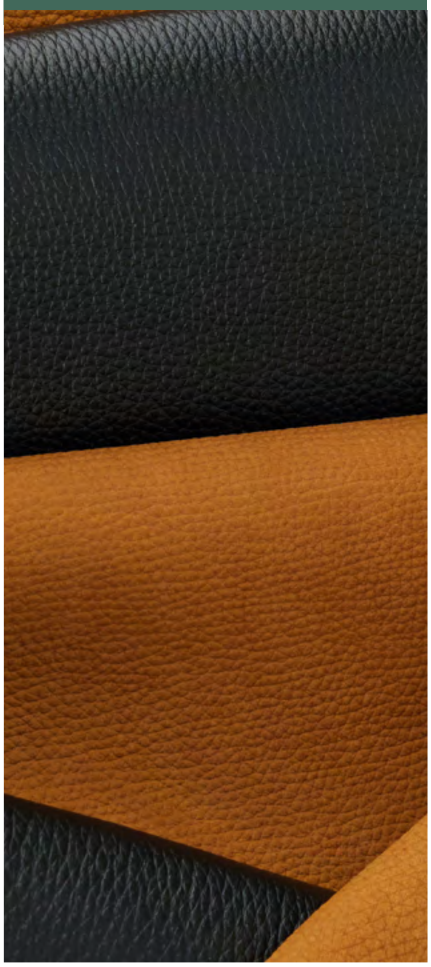
LIFE BELOW WATER

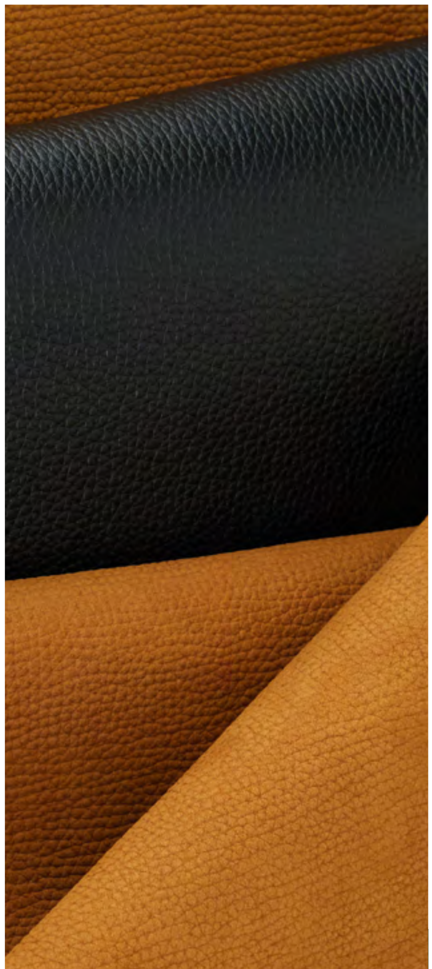
The Group is committed to protecting the oceans, seas and marine resources through concrete initiatives such as reducing the use of single-use plastic.

LIFE ON LAND

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

Ethical Business





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

The ethical principles and the general rules of the Code of Ethics are also complied with in the tax area, knowing that the activities carried out are accompanied by potential reputational, social and environmental implications and that tax revenues are one of the sources of contribution to the economic and social development of the countries in which the Group operates. In order to ensure that its companies fully comply with all tax obligations in the jurisdictions in which it operates, the Group implements careful management of tax activities and risks and acts in accordance with the values of honesty and integrity, involving top management on issues of greatest impact and complexity and entrusting the Chief Financial Officer with the responsibility for defining and monitoring such management. Moreover, the Group Tax Director reports to the Chief Financial Officer and is supported by professionals with extensive knowledge and experience who together make up the Tax Management function. In this perspective, the Group adopted an integrated tax approach through appropriate organizational procedures and solutions, developed in order to define, inter alia, roles, responsibilities, operational and control activities, and information flow patterns. Some tax-relevant processes are mapped also as part of Model 262, adopted by Salvatore Ferragamo S.p.A. pursuant to Italian Law 262/2005, which envisages specific monitoring and control obligations and responsibilities for listed companies with regard to the preparation of accounting documents and financial disclosure to the market. In order to ensure a correct, timely and effective approach to tax risk management, Salvatore Ferragamo S.p.A. undertakes to adopt and maintain an efficient tax control framework that meets the requirements of international guidelines and Italian regulations, with the aim of joining by 2022 the cooperative compliance system established by Italian Legislative Decree no. 128 of 5 August 2015. Moreover, in order to efficiently manage tax risk and to consistently distribute the tax burden among the countries in which it operates, building and maintaining cooperative and transparent relationships with the tax authorities, the Group pursues a strategy based on the conclusion of Advance Pricing Agreements, with the aim of determining in advance with the tax authorities the transfer pricing method deemed to be in line with the arm's length principle. In 2021, the Company submitted to the competent authorities an application to renew the advance tax agreement for enterprises with international activities, in line with what has been done in the past, and it also intends in the future to initiate advance tax agreement procedures with the tax authorities of the countries in which the Group operates. This strategy makes it possible to establish transparent relations with the tax authorities, thus enhancing long-term relationships. With regard to the reporting of quantitative tax information, please refer to the section called "Annexes".

In order to facilitate the identification of potential tax risks or incentives, the Group considers it essential to increase the tax awareness of employees, regardless of their corporate function. In this perspective, information activities on tax matters are promoted, with a special focus on issues and regulatory changes that may affect business activities.

The Group takes a transparent and collaborative approach with all stakeholders, including shareholders, employees, institutions and trade associations, to support the development of effective tax systems in different countries. Furthermore, since its establishment, the Group has been an active member of the Taxation Working Group of the Altagamma Foundation, which brings together the tax managers of many of its associated companies and represents the luxury sector before Italian and EU public authorities on all tax-related issues.

Moreover, the Group maintains a cooperative and transparent relationship with the tax authorities, ensuring that they can, if necessary, carry out audits on Group companies, including acquiring a full understanding of the facts underlying the application of tax rules in a timely manner. Since its listing on the Milan Stock Exchange, the Group's objective has been to use all channels of transparent and preventive dialog with the tax authorities, also by collaborating in the definition of new standards in matters concerning the sector of reference.

The Group implements careful management of tax activities and risks and acts in accordance with the values of honesty and integrity

The commitment to a conscious and correct conduct is also reflected in the Group's ability to efficiently evaluate and allocate resources, creating and distributing wealth among the different categories of stakeholders. In 2021, the economic value generated by the Salvatore Ferragamo Group amounted to approximately 1,223 million Euro. On the other hand, the distributed economic value increased from 873.8 million Euro in 2020 to 959.2 million Euro in 2021. In particular, 78% of the economic value created by the Salvatore Ferragamo Group was distributed to internal and external stakeholders. The remaining 22% was retained within the Group.

Economic value generated and distributed*

(in thousands of Euro)	31 December 2021	31 December 2020
Economic value generated by the Group	**1,223,011**	**1,000,449**
Total revenues	1,166,830	915,825
Other income	27,150	23,356
Bad debt provision	(673)	(989)
Financial income**	29,704	62,257
Economic value distributed by the Group	**959,158**	**873,779**
Value distributed to suppliers	658,831	571,448
Value distributed to collaborators	213,533	187,240
Value distributed to lenders***	50,621	80,541
Value distributed to shareholders	-	-
Value distributed to public administration	34,678	32,486
Value distributed to the community	1,495	2,064
Economic value retained by the Group	**263,853**	**126,670**
Amortization, depreciation and write-downs	163,172	221,767
Provisions	2,427	4,631
Deferred taxes	17,117	(28,032)
Reserves	81,137	(71,696)

* The figures in the 2021 and 2020 income statement include the result of the Group's perfume business, which, for the purposes of the Consolidated Financial Statements, was considered as the result of discontinued operations and shown separately from the Result of ongoing operations.
** Including income from exchange rate differences.
*** Including financial expenses from exchange rate differences.

Economic value distributed in 2021 - Salvatore Ferragamo Group

Sustainability governance and risk management

The Salvatore Ferragamo Group adopts an Enterprise Risk Management model

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

The Control and Risk Committee, also responsible for transactions with related parties and corporate sustainability, was set up by the Board of Directors on 22 April 2021, in compliance with the provisions of the Corporate Governance Code of listed companies. The Control and Risk Committee is composed of three non-executive and independent Directors, and, as part of its activities supporting the Board of Directors, in accordance with the recommendations of the Corporate Governance Code and the applicable legal and regulatory provisions, it carries out, among others, the following tasks:

- supports the Board of Directors in defining the guidelines for the internal control and risk management system, ensuring that the main risks related to the Parent Company and its subsidiaries are correctly identified and adequately measured, managed and monitored, also determining the degree of compatibility of these risks with a business management consistent with the strategic objectives identified;
- evaluates the suitability of periodic, financial and non-financial information, ensuring that the Group's business model, corporate strategies and the impact of its business activities and performance are correctly represented;
- examines the content of non-financial periodic information relevant to the internal control and risk management system;
- expresses opinions on specific aspects relating to the identification of the main business risks and supports, with suitable inquiries, the assessments and decisions of the Board of Directors relating to the management of risks deriving from unfavorable events and facts which the Board has become aware of, including risks that may be relevant for the Company's business in terms of sustainability in the medium/long-term.

With reference to the identification and management of risks, the Salvatore Ferragamo Group adopts an Enterprise Risk Management (ERM) model, inspired by the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (known as "CoSO ERM"). The model is designed to support top management in identifying the main business risks and the ways in which they are managed, as well as in defining the methods for organizing the system of controls to protect against the aforementioned risks. Moreover, the Enterprise Risk Management process ensures that the defined business objectives are aligned with the Group's strategies and are consistent with the level of risk appetite defined by the Top Management (*Risk Appetite*). The system adopted envisages: the validation of the risk governance model, the updating of the mapping, the identification and assessment of risks and measures taken to contain them, and the definition of appropriate monitoring and management strategies. The risks identified by the Group, including the main effects on sustainability, are presented in the Board of Directors' Report in the section "Main risks and uncertainties", while the components of the internal control system and the main roles assigned to manage them are described in the section of the Board of Directors' Report "Main features of the risk management and internal control systems". Moreover, an in-depth discussion of the controls, mitigation and management of the issues identified by Italian Legislative Decree 254/2016 is provided below.

Since 2019, in line with the recommendations issued by the European Commission (Guidelines on reporting climate-related information) as part of the Action Plan on Sustainable Finance, the Group has started to gradually incorporate climate-related risk factors into its own risk map. This involved analyzing the organization's impact on the climate as well as the climate's impact on the organization in order to confirm whether or not such risk factors exist or to incorporate them, if required. Consistent with this approach, during 2021, the Group carried out additional in-depth reviews aimed at integrating ESG factors in the context of its risk/opportunity analyses, providing a complete update of the risk portfolio, which will continue during 2022 in line with current business strategies. In this context, additional risk/opportunity factors linked to sustainability aspects were outlined, including those directly and indirectly related to the aspects of climate change mitigation and adaptation to climate change, in line with the priorities defined by the European Securities and Market Authority (ESMA) for the 2021 reporting year of 29 October 2021 and in view of the provisions of Regulation (EU) 2020/852 (EU Taxonomy) and the related delegated acts published on the date of publication of this Statement. The activity carried out during 2021 also included specific considerations concerning the management of the Covid-19 pandemic emergency, in line with what was already achieved during 2020, also in view of the Consob's Call for Attention no. 8/20 of 16 July 2020.

This path, which will continue to be pursued with a view to continuous improvement, has thus made it possible to further increase the level of awareness, understanding and monitoring, within the Group, of risks and opportunities in an integrated manner, consistent with the guidelines defined by the Corporate Governance Code and in line with the main regulatory and context-specific elements.

SOCIAL RISKS

Specifically concerning social topics, the Group monitors the risks and carries out several controls related to the supply chain, the local community, occupational health and safety, respect for human rights in the supply chain and the promotion of integrity and ethics in business.

In terms of occupational health and safety, the Group complies constantly with the relevant regulations, including in relation to the management of the pandemic emergency and its evolution.

Also in the field of occupational health and safety, the Parent Company adopted an ISO 45001 Occupational Health and Safety Management System, valid for all the Company's offices and stores in Italy.

In order to mitigate risks related to the supply chain, the Group has a specific assessment procedure for contract manufacturers and suppliers of raw materials and finished products, carries out audits on the production chain and, since 2019, it has disseminated and required suppliers of raw materials, processing services and finished products to sign its Supplier Code of Conduct. Drawn up with a view to integrating social responsibility and collaborating with its own supply chain, the Supplier Code of Conduct sets out ethical principles and rules of conduct, which supplement the legal, regulatory and procedural standards that underpin commercial relations with the supply chain. The rules and standards of conduct concern business ethics and integrity, labor and human rights, respect for ecosystems and product responsibility. The recipients are responsible for guaranteeing their own compliance with the Code, as well as for disseminating it and asking their employees, suppliers and external collaborators to comply with it. A specific monitoring activity on the Supplier Code of Conduct was launched in 2020 to verify compliance by suppliers, activity that continued in 2021 and which has also been planned for 2022.

The Group adopted a Supplier Code of Conduct

Particular attention is also paid to employee-related matters and the respect for human rights: the Group considers its human capital to be crucial and is committed to maximizing people's potential at each step of the production chain while constantly monitoring risk factors. Again in 2019, Salvatore Ferragamo obtained the SA8000:2014 certification for its management system in the area of social responsibility. For this purpose, a committee, called the Social Performance Team (SPT), was set up; it is composed of a balanced number of representatives of workers and management and it oversees the implementation and correct application of the SA8000 standard. Moreover, in line with the Group's Code of Ethics, Salvatore Ferragamo adopted the SA8000 policy to further confirm the Company's commitment to achieving the highest ethical and sustainable business development standards, upholding and implementing the principles of SA8000 in its business activities, in line with applicable legal provisions and main international conventions on human rights and workers' rights. Also in 2019, the Company adopted the Anti-Child Labor Policy, which aims to formalize the Company's commitment in this area and prevent minors from being exposed to situations that may be risky or harmful for their development as well as physical and mental health. Further confirming the Group's focus on its human capital and in line with the Code of Ethics, an Inclusion Policy was adopted, which enshrines

The Group has started to gradually incorporate climate-related risk factors into its own risk map

the Group's commitment to promoting and protecting inclusion values in all its business activities. In this regard, in 2020 and 2021, the Company organized specific training activities aimed at employees on the topic of inclusion and disability.

ENVIRONMENTAL RISKS

With reference to environmental risks, on the other hand, the Group constantly complies with the environmental law and the risks which stem from the activities, products or services over which the organization has the power of direct control, for example concerning emissions released into the atmosphere, energy and water consumption, or over which the organization has only the power of influence. The Group's commitment is also reflected in its Sustainability Policy, which promotes the protection and safeguarding of the environment and ecosystems through the development of strategies and initiatives intended to minimize the environmental impact of its operations.

Over the years, the Company has taken steps to meet the main environmental standards for its sites: in 2019, the Italian scope obtained ISO 14001 certification, which defines an environmental management system, adopting the relevant Environmental Policy. The commitment taken on by obtaining this certification joins the many management systems linked to emissions monitoring and responsible use of energy resources, which the Company has adopted over the years. Moreover, as from 2019, Salvatore Ferragamo S.p.A. has taken out an environmental-impairment liability insurance policy for the Osmannoro site to cover the making safe and reclamation expenses inside and outside the Company's facilities, the costs of environmental restoration and damages to third parties that a polluting event may cause. Since 2019, in line with the European Commission's recommendations (Guidelines on reporting climate-related information) under the Sustainable Finance Action Plan, the Group has also embarked on a path to integrate climate-related risk factors into its risk mapping. Consistent with this approach, during 2021, the Group carried out additional in-depth reviews aimed at integrating ESG factors in the context of its risk/opportunity analyses, providing for an update of the analysis of both the organization's impacts on climate and the climate's impacts on the Group's value chain, so as to determine how physical and interim climate change risks are integrated and mitigated within the Group's ERM system. For more details on the management of environmental risks, please refer to chapter "Responsibility towards the environment" of the NFS.

GOVERNANCE RISKS

In the broader context of the Group's compliance risk, the Group is strongly committed to fighting corruption and bribery. In recent years, the fight against corruption has taken on an increasingly important role, in view of the tougher sanctions associated with the natural person and the legal person, as well as taking into account the reputational impacts involved. Moreover, the local governments of the countries in which the Group operates have promoted a regulatory framework that aims to discourage corruption both at the local level and through international agreements including: the OECD (Organization for Economic Co-operation and Development) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions; the United Nations Convention Against Corruption; the Foreign Corrupt Practices Act (FCPA) issued in the United States; the UK Bribery Act issued in the United Kingdom. For this reason, the Group has adopted its own Anti-Corruption and Anti-Bribery Policy, which, inspired by best practices and in compliance with the most restrictive regulations in force at an international level, sets out the principles, rules of conduct and controls to be implemented to prevent all possible incidents of corruption. Moreover, the Anti-Corruption Policy is a supplement to the Organizational Model pursuant to Italian Legislative Decree 231/2001, aimed at preventing the criminal liability of entities. A special Supervisory Body has been set up with the task of monitoring the operation of and compliance with the control principles and protocols contained in the Organizational Model. In 2020, the latter was subject to an updating process in order to incorporate in two separate Special Sections the new families of offences envisaged by the legislator - Tax offences and Smuggling - as well as the integration of further corruption offences within the already existing families of Offences against the Public Administration and Corporate Offences. In order to disseminate its knowledge and principles and illustrate the relevant aspects of updating, the Company undertook various information and training initiatives. In particular, specific workshops were organized for the Company's management.

The Group's Code of Ethics, which was updated in 2016, outlines the standards of ethics and conduct, including the protection of employees' health and safety, of the environment and of Made in Italy, the social value of the Company, and the centrality of human resources. On the one hand, the Group encourages everyone to spontaneously share, comply with, and disseminate the Code of Ethics; on the other hand, it requires everyone operating on behalf of the Salvatore Ferragamo Group or coming into contact with the Group to abide by and apply the Code, also envisaging the application of disciplinary and contractual sanctions in the case of violation. Moreover, the Group believes it is essential to tackle any behavior that is at odds with the values and principles laid down in its Code of Ethics or that breaches legislation. In 2021, the Group ended a Fraud Risk Assessment project, started in

2020 and carried out to identify and assess the possible fraud risks related to the retail sales process (physical channel and eCommerce) at Group level and to identify any areas for improvement relating to the current structure of the control measures put in place to mitigate the identified risks. Following the assessment phase, a Master Plan of interventions aimed at contributing to the mitigation of the main risk factors in the field of fraud was defined and shared. The activity was carried out following the Risk Assessment method integrated with the ERM Framework adopted by the Company.

It is possible to report any failure to comply with the Code of Ethics and internal procedures, including for example the Anti-Corruption Policy, as well as applicable laws and regulations, through dedicated channels such as the whistleblowing system, which covers the entire Group. Reports can also be made by external parties by contacting the Group Ethics Committee by email or regular mail. The Ethics Committee, appointed by the Board of Directors, examines and investigates all complaints received to assess whether they are legitimate and take action as it sees fit.

Since 2018, the Group has adopted a Whistleblowing Policy to regulate how to submit and handle reports of breaches of the Code of Ethics, laws or any other procedure within the Group, in line with best practices and Italian Law 179/2017, which introduced whistleblowing for the private sector in Italy. This policy has been provided to all recipients (employees, social bodies and collaborators working on behalf of the Group), while appropriate instructions have been disseminated to all subsidiaries to spread awareness of the policy.

The Group made available to all employees an e-learning course on the Code of Ethics, on the Anti-Corruption Policy and on the whistleblowing tool. These courses are also mandated to new hires who become part of the Ferragamo Group.

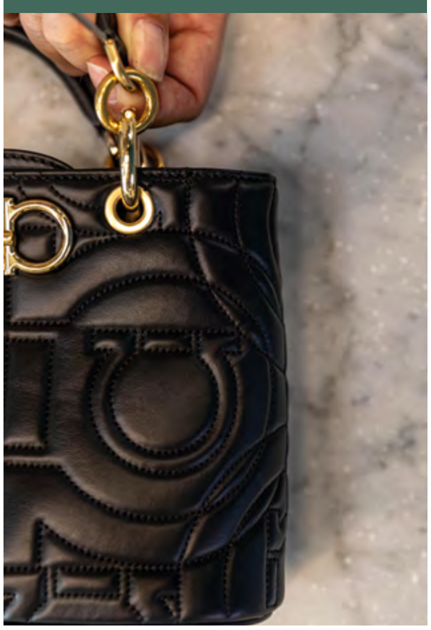
In recent years, the Group has intensified its efforts to ensure the security and protection of the data provided by its customers, guaranteeing compliance with national and international data processing laws and regulations. In 2020, the IT Security Policy and Procedure Framework that came into force in 2019 was extended to the entire Salvatore Ferragamo Group and now includes over 10 Policies and Procedures. Moreover, the Framework is subject to periodic reviews and updates. On the occasion of the entry into force of the new European GDPR Regulation, a massive training campaign was carried out throughout the Group on cybersecurity and data protection issues with a special focus on personal data protection. The training program became part of the mandatory minimum set of training courses for new recruits. In 2021, a Cyber Security Awareness (Proofpoint) platform was identified, which provides training content to be distributed on the current Learning Management System (LMS) platforms, with the aim of increasing users' awareness of cybersecurity issues, ensuring growth and continuity in training on specific topics related to information security and protection from cyber threats. In 2021, a pilot test was completed on a sample of employees and, during 2022, the program will be extended to the Group's corporate and retail staff. In addition to training, this platform will also make it possible to carry out anti-phishing campaigns in order to increase sensitivity to this threat, also in relation to the growing digital transformation of processes and methods of digital interaction with the Group's employees, business partners and customers. In response to this, starting from 2020, the Company strengthened its security measures and in 2021 it adopted a two-year 2021-2023 "Cyber Security Implementation Plan" through which it is steering its main cyber activities.

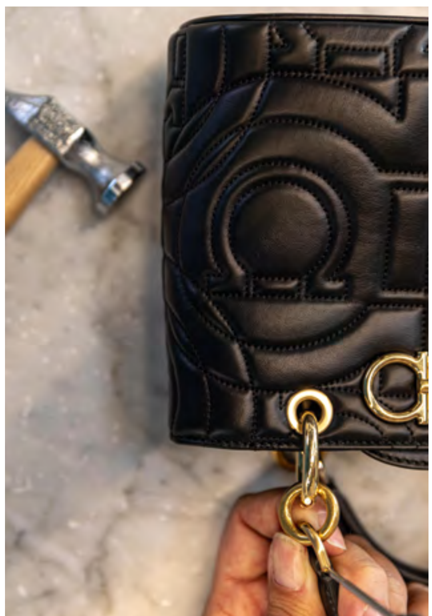
In compliance with the provisions of the new GDPR on the processing of personal data, Privacy Risk Assessment activities were carried out in 2020 with the aim of verifying that data controllers and processors adopt adequate technical and organizational measures to mitigate the risk related to personal data processing. The activity was carried out in line with the Privacy Risk Assessment performed in 2018, following the Risk Assessment method integrated with the ERM Framework adopted by the Company. The results of the Privacy Risk Assessment were integrated into the Company's Risk Map as part of compliance risks, which are assessed annually.

Responsibility towards people

Responsibility towards people

For the Salvatore Ferragamo Group, its people have always been of great importance, guaranteeing management based on the principles of fairness, integrity and respect. At every stage of the value chain, the Group's commitment translates into the professional development of its people, the attraction of new talent and the promotion of work-life balance, guaranteeing compliance with occupational health and safety standards.





Female talent accounts for nearly 67% of the employees and holds over 60% of senior management positions

Staff composition

Staff

The Group's staff as at 31 December 2021 and 31 December 2020 is shown below.

No. of people	31 December 2021			31 December 2020		
	Men	Women	Total	Men	Women	Total
Employees	1,288	2,599	3,887	1,257	2,598	3,855

The Parent Company's staff as at 31 December 2021 totaled 913 staff members (378 men and 535 women), down by 9 (8 men and 1 woman) compared to 31 December 2020.

	31 December 2021							31 December 2020						
	<30		30-50		>50		Tot	<30		30-50		>50		Tot
Breakdown by occupational classification and age group	N°	%	N°	%	N°	%	N°	N°	%	N°	%	N°	%	N°
Managers (of which top managers, middle managers and store managers)	12	0.3	585	15.1	177	4.6	774	11	0.3	604	15.7	162	4.2	777
White collars	683	17.6	1,818	46.8	347	8.9	2,848	680	17.6	1,833	47.5	296	7.7	2,809
Blue collars	32	0.8	167	4.3	66	1.7	265	37	1.0	166	4.3	66	1.7	269
Total	**727**	**18.7**	**2,570**	**66.1**	**590**	**15.2**	**3,887**	**728**	**18.9**	**2,603**	**67.5**	**524**	**13.6**	**3,855**

	31 December 2021					31 December 2020				
	Men		Women		Tot	Men		Women		Tot
Breakdown by occupational classification and gender	N°	%	N°	%	N°	N°	%	N°	%	N°
Managers (of which top managers, middle managers and store managers)	301	7.7	473	12.2	774	305	8	472	12	777
White collars	819	21.1	2,029	52.2	2,848	782	20	2,027	53	2,809
Blue collars	168	4.3	97	2.5	265	170	4	99	3	269
Total	**1,288**	**33.1**	**2,599**	**66.9**	**3,887**	**1,257**	**32.6**	**2,598**	**67.4**	**3,855**

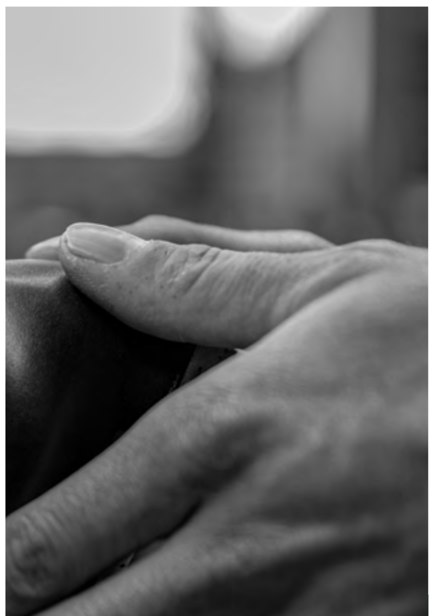
During 2021, the Salvatore Ferragamo Group recruited 1,170 employees (405 men and 765 women, of whom 33 men and 67 women in the Parent Company), against an employee turnover of 29% for men and 29.4% for women. About 41% of new hires belong to the "under 30" age group, 53% to the "30-50" age group and the remaining 6% to the "over 50" age group; finally, about 65% of the new hires are women.

Moreover, the offer of a stable and long-lasting employment relationship is considered a prerequisite for the Company's growth, as well as an important motivational factor. The high proportion of employees on open-ended contracts, accounting for 94% of the total in 2021, is evidence of the Group's commitment in this sense.

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

The well-being and health of people

Also in 2021, guaranteeing the best possible safety working conditions has been a Group's priority



The well-being and health of people were at the heart of the Group's initiatives and policies in 2021.

During the year, the continuation of the Covid-19 pandemic and the consequent increase in infections led to the management of the emergency situation being a priority, in order to guarantee the Group's employees the best possible safety conditions in carrying out their tasks, while maintaining business continuity. In the various countries in which it operates, the Group continued to ensure the highest safety standards and support employees in their work during the health emergency. In Italy, in particular, in accordance with the regulations in force, Salvatore Ferragamo updated its safety protocols, implementing the "EU Digital Covid Certificate" control measure, in addition to the temperature checks for users accessing the company's premises. Moreover, the Group constantly provided its employees with personal protection equipment such as masks and hand sanitizing gel. With a view to sustainability, the collaboration initiated in 2020 with the Progetto Quid Social Cooperative for the supply of certified surgical masks continued, integrating the supply also with reusable FFP2 masks where necessary. In order to prevent internal outbreaks, the Company also continued its internal contact tracing procedure – which provides for the extension of remote working and/or screening by means of rapid antigen swabs/molecular swabs for all contacts considered to be most at risk, even if not included among the direct contacts mapped by the Competent Authority following receipt of notification of a Covid-19 positive person – whose costs were incurred directly by the Company. Finally, screening campaigns were organized to coincide with fashion shows held during the year.

For Salvatore Ferragamo protecting and safeguarding human resources also takes the form of guaranteeing high occupational health and safety standards. For this reason, the Company, as its leading commitment, makes available human, practical and economic resources and assets, which are needed to achieve the improvement goals of occupational health and safety and as an integral part of its activity and strategic commitment. At corporate level, the Company has a dedicated Global Health and Safety, Energy and Environmental Efficiency (HSE) function, which is responsible for ensuring a safe and regulatory compliant working environment. The team is responsible for defining health and safety guidelines for the Italian scope and then sharing them with the foreign Regions. In this regard, during 2021, the HSE team shared with the foreign Regions the Management System Guidelines – HSE & Energy, prepared with the aim of disseminating throughout the whole Group a significant level of awareness about health and safety, environmental protection and energy efficiency. These standards and principles also establish the roles and responsibilities of the main regional stakeholders involved. Also in 2021, the HSE corporate team defined the priorities for intervention in the compliance area for Europe, supporting colleagues in the Region in defining the needs of dedicated tools and economic resources. Lastly, the team manages monitoring and reporting activities, maintaining relations with the Italian workers' safety representatives.

For some years now, the Company has been implementing a Safety Management System (SMS) that defines the methods for identifying, within the Company's organizational structure, the responsibilities, procedures, processes and resources for implementing the Company's prevention policy, in compliance with current health and safety regulations. The aim of the occupational health and safety management system is to:

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

In 2017, the Company decided to undertake the process of certifying its management system according to the internationally recognized ISO 45001 standard, which sets out the requirements for implementing an occupational health and safety management system. In 2021, the Company once again successfully passed the annual audit to maintain the certification, which is valid for 100% of Salvatore Ferragamo S.p.A. workers.

Although the Company does not have any high-risk business activities, it has taken steps to ensure the highest standards of occupational safety by identifying and assessing possible emergencies that may occur during its activities in the various offices in order to ensure that the impacts on occupational health and safety and any damage to facilities are properly identified and addressed. In order to ensure greater monitoring of the level of occupational health and safety, control and audit activities are carried out periodically for Group stores. In relation to potential accidents and emergency situations, the Company has drawn up a Management Procedure for preparing for and responding to emergencies, in order to describe the operational procedures implemented to prevent and/or manage accidents in the best possible way and to reduce the risk of injuries resulting from such situations.

In Italy, the identification and assessment of risks related to occupational health and safety is part of the Risk Assessment Document (RAD). This document is drawn up by the Employer (E) in collaboration with the Health and Safety Officer (HSO), checked by the Occupational Health Specialist (OHS) and brought to the attention of the Workers' Safety Representatives (WSR), in order to highlight the seriousness and probability of occurrence of specific risk events for each individual role and activity carried out by employees.
During 2021, the Group continued its efforts to monitor employee injury rates. In 2021, there were 38 injuries among employees, whereas, in line with 2020, there were no fatalities among either employees or contractors. All injury rates are detailed in the "Annexes" section of the NFS.

Also with a view to workplace well-being, in 2021 the Company carried out a survey for the assessment and intervention on work-related stress (WRS) risk factors, as required by the Consolidated Law on health and safety at work, Legislative Decree 81/2008.
The in-depth analysis phase involved all employees working in the Florence and Milan offices, for the completion of an anonymous questionnaire, with the aim of detecting specific organizational conditions that can lead to stress. The initiative was carried out under the supervision of occupational psychologists, who prepared an online questionnaire.

As part of occupational health and safety, the Company is also active in training its own people. In 2021, around 3,000 hours of training on safety, first aid and fire prevention were provided in Italy, also involving retail staff. Employees benefit from training programs tailored to their role profiles and risk levels and receive general occupational safety training in line with legal requirements. For those who fall

into a higher risk category, i.e., employees in warehouses, Modelleria, Manovia etc., additional training hours are provided for the use of specific machinery and equipment. The Company has also decided to carry out appropriate awareness-raising and information actions towards its suppliers, contractors and external visitors to involve them in the control and reduction of impacts on occupational health and safety. In this area, the Company prepares specific documents for the identification, assessment and control of risks related to the performance of activities in the Company by third parties (interference risks).

In the face of the continued Covid-19 pandemic, throughout 2021 staff management was strongly characterized by measures to protect the health of employees both in offices and in direct stores. Following the experiments already started in 2018, in 2021 Salvatore Ferragamo decided to introduce remote working across the board, subject to the compatibility with the characteristics of the specific business activities carried out. This flexible and innovative organizational model has made it possible to promote social distancing, necessary to deal with the ongoing pandemic, and aims to increase productivity and reconcile employees' work/life balance. The adoption of the remote working project was accompanied by the provision of training content aimed at managers and corporate collaborators to facilitate the remote working culture and support cultural change through concepts such as working for goals, developing a relationship of trust, and time management.

In 2021, the Flexible Benefit plan continued in Italy, the purpose of which is to support workers under the footwear industry national collective bargaining employment contract (CCNL) and their families in social and cultural activities, in their development and in school fees and costs for their children. The plan consists of the possibility to use non-monetary goods and/or services, in addition to remuneration, to meet personal and family needs. Specifically, employees can select their own type of benefit from a vast range of options, including areas such as: education, sports,

In 2021, Salvatore Ferragamo has maintained the SA8000 certification

culture and leisure, travel, supplementary pensions and welfare. In Italy, the supplementary agreement for workers benefiting from the footwear industry CCNL envisaged, among other things, an increase in the value of the Results Bonus, including the possibility of transforming, in whole or part, the monetary value of the Bonus into welfare services for entitled employees on open-ended contracts. Employees who choose to convert the Bonus will have the right to a further net amount that can be spent on goods and services through the Flexible Benefits portal.

Also as part of company welfare and at a corporate level, in 2021 the Company launched the new "Corporate Benefits" portal that allows Salvatore Ferragamo employees to take advantage of services and products from leading brands. The portal has been integrated with key corporate benefits arising from agreements stipulated with companies operating in other sectors, such as for example health and wellbeing, banks, insurance, tourism and sport. As regards supplementary health care offered to Salvatore Ferragamo's employees, the existing coverage was maintained in 2021, including that relating to protection in cases of illness from Covid-19 and that on business travel for European employees. Moreover, in recent years, a series of improvement measures have been implemented to offer coverage levels of supplementary health services superior to the provisions of the company's collective bargaining agreements.

Moreover, in 2021 Salvatore Ferragamo maintained for the scope of its Italian operations the SA8000 social responsibility certification, i.e., the main social certification standard based on the Universal Declaration of Human Rights, ILO agreements, international human rights laws and national labor laws. The standard encourages organizations to develop, maintain and implement practices that include respect for human and workers' rights, protection against child exploitation and guarantees for workplace health and safety.

The Company's attention to its people is also reflected in the provision of workspaces that are both functional and pleasant. Since 2016, the Company has been working together with the Fondazione Ferragamo on the renovation and decoration of workspaces.

Attracting and developing talent

In 2021 the Group has provided over 105,500 hours of training

For Salvatore Ferragamo it is important that the corporate culture and sense of belonging are transmitted right from the start of the employment relationship and, for this reason, there is an induction program called "Discovering Ferragamo" for all new hires in Italy. The three-day Classic Induction course consists in a training session to introduce new hires to the Brand, the history of the Founder, and the Group's values, as well as guided tours of the new Logistics Hub, Manovia, the museum and the Salvatore Ferragamo Archive in partnership with the Fondazione Ferragamo and the Museo Salvatore Ferragamo. Moreover, this program was enriched with a workshop on the Company's values and know-how. The Customized Induction, which is reserved to executives and managers, is instead organized so that it is tailored to the role that the incoming manager is required to fill. During 2021, three group editions of the "Discovering Ferragamo" Induction program were carried out, enriched with digital content on the products, as well as with an in-depth analysis of the internal communication platforms, aimed at corporate staff. In addition, 3 individual Inductions were organized at the corporate level and 3 at the regional level.

Many of the initiatives taken forward in-house were promoted thanks to the use of the Ferragamo Together digital workplace, which became pivotal in terms of employee engagement. The platform, which was launched in 2019 and can also be used via a mobile application, was designed to facilitate collaboration and sharing of ideas, information and projects among all the Group's employees, thus increasing the sense of belonging and team spirit. 2021 saw the implementation of a series of activities aimed at improving the user experience of the digital workplace, through a rationalization of content combined with a graphic restyling. Among other initiatives, the company launched "Our People", a new section within Ferragamo Together containing descriptive content and useful sections such as those dedicated to organizational announcements and links to the iLearn platforms, to which more dynamic content will be added. This section includes the Internal Job Posting tool, which enables the constant updating of open positions, promptly informing employees of potential internal growth programs.
The section was created following the launch of the first global Employer Branding project aimed at developing the Group's EVP (Employer Value Proposition), in other words identifying what makes Salvatore Ferragamo a truly unique workplace, what are the distinctive characteristics of "Living in Ferragamo" and what is the essence of its corporate culture.

With a view to promoting the growth of people in the Company, in 2021 the activities to train and develop talents and the project to design a Talent Management system at global level continued. As part of its own Ferragamo Excellence Model, the Parent Company identifies nine key skills divided into Core Skills and Managerial Skills, to be enhanced in each employee. Core Skills are key for all employees and enable them to achieve high levels of performance and quality, as well as promptly address issues and problems as they arise, by working in teams and exploring new ideas and solutions. For middle and top managers, the Group has identified additional skills aimed at understanding the elements that are crucial to the creation of corporate value and at improving competitiveness over time, inspiring enthusiasm and a passion for work and excellence in other people. Over the next few years, the Group will gradually expand the Talent Management system to all employees, regardless of the geography in which they operate, enhancing the potential of key resources across the entire Salvatore Ferragamo Group.

Training is another central element in Ferragamo's staff development strategies. In this regard, over 105,500 average hours of training per capita were provided at Group level in 2021, not including health and safety training. The courses aimed at corporate employees were mainly offered as distance learning due to the emergency situation and covered, among other topics, the strengthening of soft skills, the use of IT tools, languages and specialist training. For retail staff, the courses covered, among other topics, personal development, training on the Brand, products and collections, with the organization, in some cases, of in-store coaching ses-

Average hours of training in 2021 – Salvatore Ferragamo Group

No. of hours	Men	Women	Total
Managers	23.14	23.49	23.35
White collars	30.45	29.83	30.01
Blue collars	7.51	7.34	7.45
Total	**25.75**	**27.84**	**27.15**

In 2021, 22 young talents have been selected to participate in "The Bright Way"

sions. Course delivery was made more seamless thanks to the use of the iLearn platform. With regard to compliance training, the courses mainly covered issues such as anti-corruption and anti-bribery, as well as the whistleblowing tool.

The iLearn tool, integrated in the Ferragamo Together platform, allows to identify training contents related to the excellence model skills, to deepen the knowledge of the Company and the Brand, and to have self-development opportunities. Through iLearn, Knowledge Sharing sessions were also organized for Group staff.
Moreover, during 2021, a digital content entirely dedicated to sustainability was developed, to also be promoted and included within the company's Induction programs. The course, which aims to present the Group's strong commitment to sustainability issues through existing initiatives and projects and long-term goals for the future, will be launched through the iLearn platform at the beginning of 2022 and will be made available to all Group people.
In addition, again with a view to training and information, the Human Resources team, in collaboration with the Sustainability team, in 2021 made available in-depth digital contents related to sustainability issues and has organized a training course for members of the Green Team with the aim of grasping external stimuli and strengthening the team through enhanced cross-functional planning. Through discussion and group work, the meetings focused on relevant sustainability trends and possible future courses of action.
Training on ESG issues was also provided for the Global Leadership Team, a group of about 120 resources at a global level who are recipients of the Performance Incentive Plan.

Specific training initiatives are also aimed at staff working in Ferragamo stores: since 2019, the Group has launched Stardust, the training program for retail staff at global level. The aim of the program is to develop a customer-centric mindset in order to strengthen the core skills of retail staff and contribute to the achievement of corporate objectives. Stardust's methodology provides multiple levels of engagement, from self-study to classroom training, from in-store activities to coaching and digital training. Due to the persistence of the Covid-19 pandemic, in 2021 the Stardust program was once again delivered through an intense program of webinars carried out synchronously by local trainers. A number of digital training programs have been launched for retail staff with the aim of enhancing technical knowledge, strengthening the digital client journey and stimulating connection with the Brand and its values. In addition, training courses have been created focused on developing particular skills and abilities to improve the client experience. Moreover, to bring retail staff closer to sustainability issues, starting in October 2020 the Retail Journal, a magazine dedicated to retail staff, has included a sustainable section in which content on social and environmental responsibility is shared monthly.
With the aim of supporting and developing the potential of retail staff, "The Bright Way", a training program dedicated to 22 globally selected talents, was launched in 2021. In addition, two programs dedicated to managers were also launched: Nexus, a program created with the aim of developing leadership and coaching skills, and Retail me, a development program dedicated to the Wholesale and Travel Retail teams, with the aim of also disseminating the retail strategy along these sales channels.
In 2021, training also continued through the new iLearn digital learning platform dedicated to the Retail team, which includes a wide training offer with over 125 digital courses offered in 9 languages. The platform, redesigned in terms of its user experience and content management, was initially launched for the retail world and later for wholesale partners.

Salvatore Ferragamo
x
Forte dei Marmi

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

To facilitate staff development, the Group implemented, in continuity with previous years, some performance assessment programs, including the Performance Appraisal System for middle management. The program was conceived not only as a monetary incentive system but also as an instrument for development: the performance appraisal is connected to a position profile and the specific technical skills required. During 2021, approximately 97% of Group managers were subject to this type of analysis and the performance of approximately 95% of all Group staff was assessed. In Italy, the supplementary agreement signed for 2019-2021 envisaged, among other things, the extension of the performance assessment process to all employees and for all levels within the organization, in order to increase engagement and to make everyone feel part of the corporate goals and results. In particular, an assessment method was introduced, based on three of the Brand's distinctive elements: initiative, result orientation and customer orientation. The outcome of this assessment makes it possible to further increase the value of the bonus for the individual, while also rewarding individual performance.
Moreover, the implementation of Bright, the assessment program that involves all professional profiles in the retail world, was completed in 2021. In addition to being a monetary incentive program, Bright is designed to stimulate a feedback

culture and to support opportunities for internal development and growth.

The Group promotes numerous initiatives aimed at attracting talented employees and valorizing them in their professional development. To select top young talents, the Parent Company has partnerships with several Italian Universities, Business Schools and Design Academies, organizing presentations, career days, and field projects. During 2021, Salvatore Ferragamo took part in events at Polimoda, Marangoni, Bocconi, IULM, the University of Florence and the Milan Fashion Institute.
The company launched four field projects in collaboration with schools of excellence in the luxury sector:

- as part of the Master in "Shoe Design" at Polimoda in Florence, the students worked on the creation of a collection of sneakers and a men's/women's collection that embraces sustainability issues and upcycling. Three students had the opportunity to complete their academic path thanks to an internship experience in the Company alongside footwear designers;
- in partnership with the Accademia Costume e Moda in Rome, the "My Ferragamo Now" project was launched, which saw the students taking part in the Academic Master in Accessories Design involved in developing a capsule collection in men's leather goods, easily customizable and that can therefore be immediately available to the customer, without waiting for a classic Made To Order;
- in collaboration with the "Master in Fashion, Experience & Design Management" (MAFED) offered by SDA Bocconi in Milan, a Retail Excellence project entitled "Reinventing the boutique role and human touchpoints in the phygital retail luxury ecosystem" was launched, following which a student had the opportunity to start an internship experience in the Company's Corporate General Merchandising team;
- the Company also confirmed its collaboration with Università Cattolica of Milan as part of the "Master of Science in Management" characterized by the launch of a briefing and a project with a final evaluation on eBusiness issues.

During the year, the Company also formalized its adherence to the "Adopt a School" project, promoted by Altagamma, with the aim of bringing young people from the Florence area closer to the trades revolving around the leather goods sector, to raise their awareness of the professional opportunities offered by Made in Italy.

To celebrate the 100th anniversary of the birth of Mrs. Wanda Ferragamo, the Ferragamo Family, together with the Company, has created an ongoing initiative aimed at young people and specifically at children of Group employees around the world. The "Wanda Ferragamo Scholarship" was established, which provides for the awarding of three scholarships every year to the most deserving and talented individuals, selected by a special commission.

Collaborations with academic institutions also focused on sustainability issues: in 2021 in North America, a partnership was started with the Marangoni Institute in Miami, which provided for the donation by the Brand of about 200 unsold ties to the Institute. The ties have been used by some students to create new garments and accessories in full compliance with the principles of upcycling and circular economy. The products made were exhibited at the Bal Harbour store during an event reserved for the Brand's customers and students, who had the opportunity to share their creative vision.

In addition, with the aim of emphasizing the strong interest in circular economy issues and its support and collaboration with academies and universities, in 2021, the Company made numerous donations of leather and slow-moving material to support young creative talents. The universities involved were: the Polimoda in Florence, the Accademia Costume e Moda in Rome and the Istituto Tecnico Superiore M.I.T.A. in Scandicci, Florence.

Diversity and inclusion

Diversity is considered a key value for the Group, which is committed to ensuring that its employees can grow in a working environment where they can feel free to express themselves and where particularities and individuality generate experimentation and positive comparisons.

In particular, the cultural change process focused on diversity and inclusion issues was activated in 2020. This program initially involved interviews and activities with Top Management and then involved the Global Senior Leadership Team in distance learning sessions aimed at raising awareness of the impact of diversity and inclusion in the business. In 2021, the program was further strengthened with the organization of two training courses dedicated to disability: one designed for all corporate employees, and the other developed for corporate management with the aim of empowering managers to become agents of cultural change. The training provided practical and concrete direction so that the approach to

disability is free from embarrassment, prejudice and fears.
Also on the subject of inclusion and disability, Salvatore Ferragamo was the first Italian company to join "The Hiring Chain" global campaign promoted by CoorDown, launching an important job inclusion project at corporate level that led to the inclusion in the company of a resource with Down syndrome, thanks to the collaboration and support of the Trisomia 21 Association. In addition, the Company participated in a Diversity Day, during which some potential resources were identified.

The Group's commitment to diversity issues was formalized with the adoption and publication in 2019 of the Inclusion Policy that aims to support multiculturalism, which is considered essential for the development of innovative and distinctive elements that can increase the Brand's competitiveness and for promoting equality and equal opportunities, combating all types of discrimination and condemning any form of harassment. In addition, the Policy sets the goal of promoting meritocracy and fair treatment at all levels, facilitating the development, expression and enhancement of individual potential.
Concerning the employees belonging to protected classes, the Group complies with applicable laws in the Countries in which it operates.

During 2021, the Group received a report of alleged discrimination against an employee in North America. The case has been reviewed and resolved by the organization.

Special emphasis is placed also on providing equal opportunities, ensuring the same work conditions for male and female employees and promoting initiatives to help balance family and professional life through different types of employment agreements. More specifically, as at 31 December 2021 there were 67 male employees and 261 female employees who were on part-time contracts. The latter have always played a key role in the Salvatore Ferragamo Group and female talent underpins the Brand's success, accounting for nearly 67% of its employees and holding over 60% of senior management positions. Women make up a significant 40% of the Parent's Board of Directors, above and beyond the applicable laws.
The Group adopts remuneration policies that recognize the personal contribution of each employee according to the principles of gender equality and merit. For years now, the Group has been implementing a remuneration system differentiated for the various employee categories, including also economic incentives contingent on individual and company performance goals aimed at promoting a sense of belonging and teamwork. Finally, as for industrial relations, more than 58% of the Group's employees are covered by collective bargaining agreements, as required by applicable laws and regulations in the countries where the Group operates. In addition, these agreements, together with the laws in force in the countries where the Group operates, also regulate remuneration as well as the minimum notice periods for significant operational changes.

Lastly, still on the subject of diversity and equal opportunities, since 2020 the Company has joined Valore D, the first business association in Italy committed to creating a professional world free of discrimination, where gender equality and a culture of inclusion support the growth of the organization. This follows the adoption in 2019 of the Women's Empowerment Principles promoted by UN Women and the UN Global Compact. There are seven Women's Empowerment Principles which aim to provide companies with a guide on how to promote gender equality and female empowerment in the workplace and in communities in general. In line with the contents of the Code of Ethics and the Group Inclusion Policy, by adopting these principles, Salvatore Ferragamo intends to reconfirm its commitment in terms of inclusion and respect of the principles of equality and dignity.

Responsibility towards the environment

Responsible innovation and circular economy

In 2019 Salvatore Ferragamo has joined the Fashion Pact, a coalition that groups 1/3 of the fashion industry

For years, the Ferragamo Group has implemented its environmental protection strategies, rethinking its processes and setting itself concrete and challenging targets to reduce its impact on the planet. In particular, by signing the Fashion Pact in 2019, the Group committed to achieving specific targets in three priority areas: climate, biodiversity and oceans.
With regard to climate change, in 2020, the Group defined its science-based targets, with the aim of a 42% reduction in direct and indirect emissions by 2029, with a 2019 baseline. In order to achieve these targets, special attention was paid during the year to the eco-efficiency levels of its offices, to the use of materials with a low environmental impact in its collections, to minimizing the impact of logistics flows and to rethinking packaging with a view to gradually eliminating single-use plastics.

The Brand's commitment to the circular economy is demonstrated through a 360-degree approach: from the inclusion in the collection of regenerated and circular raw materials, to the choice of certified and post-consumer packaging, from the attention to the reuse or donation of obsolete raw materials, to the choice to strengthen the consumption of energy from renewable sources in the coming years.
In particular, the inclusion in the collection of materials with a low environmental impact is one of the top priorities for the Brand, which has set up a cross-functional work team entirely dedicated to this initiative, and has adopted specific guidelines on responsible materials and fibers to be used where possible for the development of its products. In fact, the Company regularly monitors the progressive inclusion of circular, regenerated and innovative materials in its collections, in line with the demands of the Fashion Pact. Moreover, in 2021, Salvatore Ferragamo launched various products and capsule collections, reissues of iconic products, reinterpreted with a view

THE FASHION PACT: 1 AGENDA FOCUSED ON 3 PILLARS

CLIMATE
Implementation of Science Based Targets for Climate to achieve net-zero by 2050

Implementing the principles of the UN Fashion Charter for Climate Action

Ensure that at least 25% of raw material supply is environmentally friendly by 2025

Achieve 50% renewable energy, in all activities, by 2025 and 100% by 2030

BIODIVERSITY
Development and implementation of a strategy and Science Based Targets for Nature

Development of individual biodiversity projects by 2020

Support for zero-deforestation and sustainable forest management by 2025

OCEANS
Reducing the negative impacts of the fashion industry on marine environments

Elimination of problematic and unnecessary plastics in B2C packaging by 2025, and in B2B packaging by 2030

Ensure that at least half of all plastic packaging is made from 100% recycled material, by 2025 for B2C and by 2030 for B2B to sustainability. These include the Earth Top Handle bag, launched in a limited edition of 500 pieces on Earth Day, and made of FSC-certified cork, a natural and renewable material that does not damage the tree from which it is harvested. The bag is completed by the lining in pure linen, a natural and biodegradable material, the zipper tape and the thread in 100% recycled polyester, and the water-based coloring. In 2021, Salvatore Ferragamo also presented the re-edition in a responsible key of the F-80 Skeleton watch. In fact, the watch strap is made with materials with a low environmental impact: a thin layer of FSC-certified cork covers the inner part, while the outer layer is made of a fabric composed of post-consumer recycled PET fiber with hole covers made of vegetable tanned leather. Eco-friendly materials were also used for the packaging: the box is made of FSC-certified cardboard, while the protective wooden and metal shell is internally covered with hemp and externally in fabric composed of post-consumer recycled PET fiber. The watch cushion is, on the other hand, made of bioplastic material 100% obtained from sugar cane.

Also in 2021, the Brand launched an exclusive online capsule collection in a responsible key: the link of the entire collection – from the original inspiration to the pieces created – were the materials. Among the key materials used, the women's collection saw ECONYL® regenerated nylon, silk, leather and recycled nylon. For the men's collection, instead, the materials in evidence were suede, made giving a second life to production waste through a low-carbon manufacturing process, steel, plant-based bioplastic and metal-free leather, tanned with plant-based materials.

In addition, in 2021, the Company introduced Salvatore Ferragamo Icon-Up: a capsule collection that has strengthened the Brand's commitment to sustainability with a view to circular economy. Composed of iconic models of women's shoes and belts, this exclusive 300-piece capsule combines the innovative principles of circularity and recovery of materials with the brand's heritage and DNA. Each shoe is unique and is made with products and materials recovered from the Maison's stock, such as accessories and printed silks, reinterpreted by the Style team and made by Manovia artisans to revive the iconic Vara and Varina shoes. A very similar process has been applied to the stylistic vision of the belts: recovered from our warehouses and enriched with silks from pre-existing Ferragamo products. The Brand's exclusive style also emerges with personality in the product protective bag, reusable and made with printed fabrics recovered from stock. The packaging also includes the new Favini Remake paper boxes, made of 30% post-consumer recycled cellulose and 25% residues from the leather goods industry.
Ferragamo's environmental responsibility also embraced the eyewear universe, with the Responsible Eyewear Collection: a collection of eyeglasses and sunglasses launched in 2021 and characterized by recycled and renewable materials. The sunglasses frames were made from Eastman Acetate Renew™, a blend of bioplastics derived from responsibly sourced wood pulp and recycled materials recovered from industrial processes, while the lenses are made with a BioRay plastic derived from castor oil. The optical frames were also made of Eastman Acetate Renew™, while the lenses are made from BD8 Biolens biodegradable acrylic polymer, a material that biodegrades within five years of being deposited in a landfill. Responsible materials were also used for the packaging of the Responsible Eyewear Collection: the case is the result of an innovative combination between an external part in Linen 39 – a blend of linen and renewable and biodegradable natural cotton – and the inner lining made from post-consumer recycled polyester (rPET).

Finally, the Brand's special projects on sustainability also concerned the world of fragrances, with the launch of "Storie di Seta": four perfumes that can be used individually or in unison, made with 62.2% renewable and 99.1% biodegradable ingredients for the "Filo di Seta" accord, (a heart) common to all fragrances. Some natural materials come directly from the Symrise Madagascar program, established in 2005. This includes the roots of the perennial vetiver grass, used since ancient times to give fragrances a woody, smoky accent.

In line with the second objective of the Fashion Pact, responsible innovation also concerns biodiversity: in 2021 Salvatore Ferragamo published its Manifesto for Biodiversity, a document that formalizes its commitment to safeguarding and promoting biodiversity by highlighting the principles that guide the Brand's activities in this area. Moreover, Salvatore Ferragamo participated in the benchmark analysis carried out by the Fashion Pact and in the numerous workshops organized on this topic.

In 2021, the Group's commitment to promoting animal welfare also continued with a view to responsibility towards nature and the planet in general. Indeed, since 2020, the Group has adopted an Animal Welfare Policy, which establishes the minimum requirements, certifications, standards, forms of collaboration, strategies and procurement sources to be favored in order to guarantee animal welfare. The document was submitted for signature by suppliers of raw materials of animal origin through the Ferragamo Link portal, in order to guarantee that the whole supply chain acts appropriately in terms of animal welfare.
Moreover, since August 2021, the Company has joined the Leather Working Group (LWG), a non-profit organization for stakeholders in the tanning sector's value chain, which work in synergy in order to improve the environmental management of the leather manufacturing industry. The main objective of the LWG is to provide, maintain and develop audit protocols, with the aim of verifying the compliance and environmental performance

of tanners around the world, promoting sustainable and appropriate practices in respect of the environment. As part of the Leather Working Group, the Company is committed to involving 25% of the leather value chain within 3 years of membership, reaching 50% within 6 years, as well as to declare the volumes of leather purchased, the types of raw materials and the percentage of materials sourced from LWG-certified suppliers. Thanks to its participation in the LWG, the Company has access to a consolidated environmental audit system, developed by the leading international players in the leather industry and is audited with the aim of promoting continuous improvement in the environmental performance of its business operations.

Regarding circularity, the Group is also strongly committed to reducing the consumption of materials such as unnecessary plastics and eliminating single-use plastics. In this regard, following the release of the European Single-Use Plastics Directive, which aims to prevent and reduce the impact of particular plastic products on the environment and promote the transition to a circular economy, in 2021 the Company assessed its use of single-use plastics in packaging, in order to map the quantities and identify concrete solutions to eliminate and/or reduce its consumption. In this perspective, in order to promote a more sustainable luxury and to eliminate the use of single-use plastics, in 2021 the Group continued to progressively replace clothes hangers, polybags and labels with bioplastic and recycled and recyclable plastic alternatives. Moreover, the bags used for the packaging of products such as footwear, bags and accessories, as well as the bags used for clothing, are Made in Italy and made of 100% cotton.

Innovative and environmentally friendly materials are also used for the packaging of some eCommerce shipments. The Company uses bubble wrap made from renewable plant sources that can be disposed of as organic waste together with animal and vegetable food scraps, since it is compostable and biodegradable. Moreover, for some eCommerce shipments, the Group has started the use of boxes made of FSC-certified paper and 78% recycled paper.

As regards paper packaging for the retail business, the Salvatore Ferragamo Group has favored paper certified by the Forest Stewardship Council (FSC), which bears witness to correct forest management and the traceability of paper products. The FSC logo guarantees that the product is made of raw materials harvested from forests managed according to sustainable principles. The iconic red packaging, in addition to being "Made in Italy" as well as fully recyclable and biodegradable, is also post-consumer, i.e., up to 40% composed of recycled fibers and the remainder of ECF (Elementary Chlorine Free) cellulose, which is treated with ecological processes. These characteristics make it possible to use the related symbols on corporate and outlet packaging and Museum shopping bags. During 2022, the commitment to the circularity of paper packaging will be further strengthened, with the use of FSC-certified institutional red packaging paper, made of 70% post-consumer waste fibers.
Moreover, in selecting its packaging suppliers, Salvatore Ferragamo verifies that not only they are based locally, which is the main guarantee of Made in Italy quality, but also that they have important certifications such as ISO 9001, ISO 14001, SA8000, ISO 45001, GOTS, GRS, PEFC and OEKO-TEX.

As for non-packaging materials such as catalogs, invitations, leaflets, stationery and, in general, printed materials, the Group is placing increasing emphasis on ensuring that they are made with FSC-certified paper, and inks and processes that do not negatively impact the environment, integrating this goal in the Sustainability Plan.

Responsible consumption

With a view to environmental protection, the Salvatore Ferragamo Group pays close attention to its consumption[8], promoting several initiatives to improve efficiency.
With the aim of disseminating throughout the whole Group awareness about health and safety, environmental protection and increased energy efficiency, during 2021, Salvatore Ferragamo updated and shared with the foreign Regions the Management System Guidelines – HSE & Energy.

In 2021, the Salvatore Ferragamo Group consumed 10,306 GJ of natural gas. Electricity consumption stood instead at 109,079 GJ. In relation to the consumption of non-renewable fuel, i.e., diesel and petrol, this stood at 7,261 GJ in 2021. As for the Italian scope, 100% of the energy used comes from renewables thanks to the purchase of energy certified through a guarantee of origin.

Thanks to the photovoltaic fields at the Osmannoro site, with an installed power of 1,304.77 kWp, the electricity self-generated by the Company in 2021 was 5,468 GJ, around 22% of the Parent Company's total consumption. As regards energy efficiency, of particular importance is the presence in several buildings at the Osmannoro site of a computerized management system, the Building Management System (BMS), which enables the control and monitoring of the mechanical and electric systems, such as for example micro-climate and illumination, depending on the amount of natural light from outside. In order to improve the micro-climate in all the work areas, thus ensuring

[8] On the basis of their availably and materiality, the data for 2020 and 2021 has the following limitations:
- as for energy consumption, on the basis of the scope under consideration, i.e., approximately a 2,700 headcount in 2020 and 2,700 in 2021:
  - natural gas consumption accounted for 87% and 85% of the scope in 2020 and 2021, respectively (in 2021, consumption does not cover Europe and South America);
  - electricity consumption accounted for 97% and 97% of the scope in 2020 and 2021, respectively (in 2021, consumption does not cover the offices of Ferragamo Fashion Trading (Shanghai) Co. Ltd.);
  - non-renewable fuel consumption accounted for 79% and 80% of the scope in 2020 and 2021, respectively (in 2021, consumption does not cover the offices of Ferragamo Fashion Trading (Shanghai) Co. Ltd and Ferragamo Moda (Shanghai) Co. Ltd);
- as for water consumption and waste production, on the basis of the scope under consideration and set out in the "Methodology" section, i.e., approximately a 1,200 headcount in 2020 and approximately 1,200 in 2021:
  - water consumption accounted for 79% and 78% of the scope in 2020 and 2021, respectively (in 2021, consumption does not cover the Asian region with the exception of Ferragamo Korea Ltd. and Ferragamo (Singapore) Pte Ltd., the European region and South America);
- the production of waste accounted for 80% and 77% of the scope in 2020 and 2021, respectively (in 2021, consumption does not cover the Asian region with the exception of Ferragamo Korea Ltd., South America and the European region with the exception of Italy). The data for 2020 and 2021 is directly provided by the companies that handle waste disposal.

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

The Group promotes a sensible and responsible use of water, intended primarily for hygiene-sanitary purposes, in that almost all production is outsourced. During 2021, water consumption in relation to the Group's offices alone was 0.16 megaliters (of which 94.9% from the aqueduct and 5.1% from ground water)[9]. In addition, the Group is committed to taking action in order to reduce the production of waste arising from its operations, as well as to raise awareness among its employees about properly managing and disposing of garbage, encouraging to reuse and recycle materials as well as minimize waste. In order to understand and mitigate the impacts of its activities, the Group is also committed to verifying the incoming and outgoing flows that may generate waste. Within this framework, a Life Cycle Assessment study relating to the iconic Viva ballerinas was carried out in 2020, in accordance with the UNI EN ISO 14001:2015 standard, with the aim of quantifying the impacts associated with the production, dis-

The consumption of the Salvatore Ferragamo Group[9]	**2021**	**2020**
Natural gas consumption (GJ)	10,306	9,004
Electricity consumption (GJ)	109,079	102,005
Non-renewable fuel consumption (GJ)	7,261	5,436
Total energy consumption (GJ)	126,647	116,445

[9] The conversion coefficients published by ISPRA were used to calculate the energy consumption of petrol, diesel, natural gas and electricity in GJ.

[10] In 2020, water consumption was 0.026 megaliters (of which 93.2% from the aqueduct and 6.8% from ground water).

tribution and end of life of the product. In line with the requirements of the ISO 14001:2015 environmental management system, adopted for all of the Group's Italian offices and stores, Salvatore Ferragamo developed specific procedures to ensure the effective and efficient management of waste, as well as a correct periodic monitoring of the waste produced. Among others, this management includes monitoring the ratio of hazardous waste to total waste generated, the amount of waste produced in relation to turnover and the amount of waste recycled in relation to the total waste produced. In Italy, waste management is entrusted to third parties, which deliver the waste to a temporary deposit facility, transport it to recycling or disposal plants and then process it. In order to verify that these third parties comply with the relevant legislation and environmental requirements in force, internal audits are periodically carried out. In 2021, the Salvatore Ferragamo Group's waste production stood at 812.9 tons (of which 99.5% was non-hazardous waste and the remaining 0.5% was hazardous waste)[11]. The waste generated by the Group's activities primarily refers to office materials, packaging, as well as fabric and leather waste. Of the waste destined for disposal, amounting to 269.7 tons, 99.8% consists of non-hazardous waste and the remaining 0.2% of hazardous waste. Specifically, 0.7% of non-hazardous waste was incinerated without energy recovery at an external site, 83.5% was dumped at an external site, 7.1% was treated through other on-site disposal operations and the remaining 8.7% was treated through other disposal operations at an external site. Of the hazardous waste destined for disposal, 36.6% was disposed of by landfill treatment at external sites and 63.4% through other disposal methods at external sites. Of the waste not destined for disposal, amounting to 543.2 tones, 99.4% consists of non-hazardous waste and the remaining 0.6% of hazardous waste. All the waste not intended for disposal was recycled at external sites.

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

[11] Waste production in 2020 stood at 1,146.3 tons (of which 99.7% was non-hazardous waste and the remaining 0.3% was hazardous waste). Of these, 14.8% was recycled, 0.2% was incinerated, 26.4% was treated in landfills and the remaining 58.6% through other disposal methods.

work was made more sustainable through the use of products made of FSC-certified wood and of materials with a high level of recycled content and/or made locally, always in line with LEED standards.

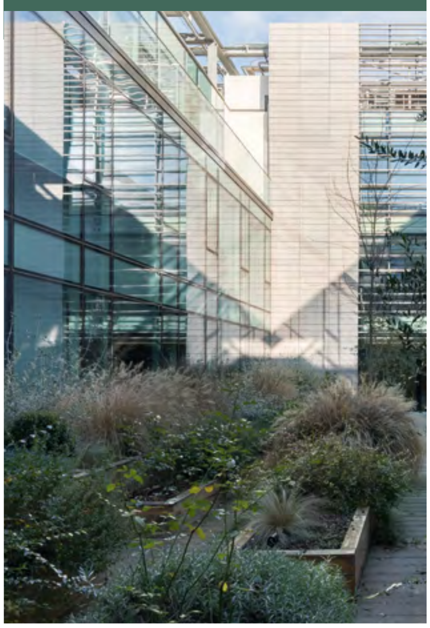
In 2020, building M, designed to meet the main environmental standards and located at the Osmannoro site, also received the LEED Platinum certification. In line with what was developed for the Logistics Hub, the building is equipped with a BMS (Building Management System) and multimeters.

Over the years, efforts to obtain certifications have also involved the retail area. The Group obtained the LEED Gold certification for the following stores: Beijing China World, Canton Road in Hong Kong, Copley Place in Boston, Madrid and Hong Kong City Gate. It obtained the LEED Silver certification for the following stores: Seasons Place Beijing, Pacific Place in Hong Kong, Troy in Michigan and the Ginza flagship store. During 2021, the process was started to obtain the LEED certification for the stores in Barcelona and Amsterdam. The Group has undertaken, as confirmed in the Sustainability Plan, to certify other stores in the coming years.

In 2021, the Energy Management System certification for the Osmannoro site was updated in accordance with the new version of the ISO 50001:2018 standard, which specifies the requirements for establishing, implementing, maintaining and improving such systems. Through a systemic approach, the certification aims to facilitate the achievement of the objectives defined in the management system, such as the commitment to initiatives aimed at improving energy performance, the dissemination within the Company of the objectives of the energy management system and the related implementation programs, the optimization of the use of energy resources and the increase in the use of alternative and renewable energy sources. The Company plans to extend the certification to some of its retail stores.

100% of the energy used in Italy comes from renewable sources

Climate change and emissions monitoring



Carbon footprint[12]	2021	2020
SCOPE 1 – Direct emissions (t CO_2 eq)	1,112	919
SCOPE 2 – Indirect emissions associated with electricity generation (t CO_2) (location-based)	12,122	11,779
SCOPE 3 – Indirect emissions attributable to purchases of raw materials and services (t CO_2eq)	108,342	142,761
SCOPE 3 – Indirect emissions attributable to logistics (t CO_2eq)	25,876	15,653
SCOPE 3 – Indirect emissions not attributable to the product and, in particular, linked to business travel (t CO_2eq)	381	404

Mitigating the effects of climate change is one of the main objectives of the Fashion Pact, which, among other commitments, requires its members to adopt specific CO_2 emission reduction objectives. Within this framework, the Group has defined the abatement and compensation of CO_2 emissions as one of the priorities established in its Sustainability Plan.

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

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

With a view to setting targets, already in 2019, a project relating to the calculation of emissions attributable to the Scope 3 "Logistics" category was started. Again in 2021, the number of movements, the weight transported and the distance traveled were calculated for all the Group's upstream and downstream shipments. Specifically, for the upstream stage, information was collected relating to the movement from the raw material suppliers to the Raw Materials Warehouse at Osmannoro, from the Raw Materials Warehouse to the

[12] Based on the availability and materiality of data, the scope of the analysis, i.e., a headcount of approximately 2,700 in 2020 and nearly 2,700 in 2021, is subject to the following limitations:
· the emissions from natural gas and non-renewable fuel consumption (SCOPE 1) and electricity consumption (SCOPE 2) cover the same scopes set out in note 8;
· the emissions related to rail and air business travel (SCOPE 3) accounted for 74% and 80% of the scope in 2020 and 2021, respectively.
SCOPE 2 market-based emissions totaled 9,764 and 10,332 tons of CO_2 in 2020 and 2021, respectively.
The factors used in 2020 and 2021 to calculate SCOPE 1 emissions are those issued by the Department for Business, Energy & Industrial Strategy in 2021 and 2020.
For the calculation of SCOPE 2 emissions, the factors used are those published by Terna Confronti Internazionali referring to the year 2018 for SCOPE 2 location-based 2021, while for SCOPE 2 market-based, the factors used for European countries are those published by AIB (Association of Issuing Bodies) in 2021 for 2021. Finally, for the SCOPE 2 market-based calculation, the emission factors used for non-European countries were those published by Terna Confronti Internazionali referring to the year 2018 for the year 2021. SCOPE 2 emissions are expressed in tons of CO_2; however, it is specified that the percentage of methane and nitrous oxide has a negligible effect on total greenhouse gas emissions (CO_2 equivalent), as can be seen from the technical literature.
Other indirect emissions generated by other organizations and which are a consequence of the Group's activities (known as "SCOPE 3 emissions") have been calculated in accordance with the "GHG Protocol Corporate Value Chain (SCOPE 3) Accounting and Reporting Standard".
For each of the SCOPE 3 categories identified as relevant, GHG emissions were quantified by multiplying the organization's activity data by the specific emission factor. The main sources of the emission factors used are the UK Department for Environment, Food & Rural Affairs publication for the year 2020 and the Ecoinvent 3.7.1 database published in December 2020.

In 2021, the Salvatore Ferragamo Group obtained a score of A in the CDP Climate Change, joining the A-list

contract manufacturers and from the latter to the Finished Products Warehouse at Osmannoro. As for the downstream stage, the collection of information regarded the movements from the Finished Products Warehouse at Osmannoro to European customers/stores and to other warehouses/customers/stores worldwide and the deliveries from Local Warehouses (outside the EU) to customers/stores worldwide. Total GHG emissions from the Group's logistics amounted to 25,876 tons of CO_2 eq., of which 22,335 tons of CO_2 eq. for the downstream stage and 3,540 tons of CO_2 eq. for the upstream stage. Compared to 2020, the amount of emissions attributable to logistics increased sharply in 2021 due to the business recovery that followed the disruption caused by the outbreak of the Covid-19 pandemic in 2020. Moreover, in line with the defined commitment, greenhouse gas (GHG) emissions were calculated for the category "Purchases of raw materials and services" of Scope 3. The category quantifies the emissions related to the extraction and production of raw materials used and the provision of services used by the Group during the year. Through the involvement of the relevant corporate functions, data on direct purchases of raw materials and purchases of services were collected. Total GHG emissions for the 2021 reporting year were 108,342 tons of CO_2eq.

In order to facilitate the development and implementation of plans to manage greenhouse gases by the organization itself, also in 2021 Salvatore Ferragamo maintained the ISO 14064 certification according to the new 2019 version of the standard. The ISO 14064:2019 standard, already implemented for the Osmannoro plant, the Milan offices, Palazzo Spini Feroni and the Salvatore Ferragamo Museum, Italy's first green corporate museum, and extended to Italian stores in 2019, specifies the principles and requirements for quantifying and reporting greenhouse gas emissions related to the activities carried out. Obtaining the ISO 14064 certification, as specified in the related Policy, allows certifying the best international practices in the management, measurement and verification of data and information related to greenhouse gas emissions, and its extension to all the Group's Italian offices represented an important progress in the process of continuous improvement towards ever higher sustainability standards.

Since 2017, bearing witness to the Group's commitment to reduce environmental impacts, Salvatore Ferragamo has voluntarily taken part in the CDP survey to report on CO_2 emissions. The goal of the CDP is to promote transparency about the emissions generated by businesses, cities, states, and regions, allowing anyone to obtain information on the environmental impacts of each of these entities. The assessment was conducted for the "Climate Change" section through a comprehensive survey on emissions and consumption. In 2021, Salvatore Ferragamo obtained, for the first time, the highest achievable score of A, positioning itself above the general average of the textile & fabric goods sector and the European and global average. Furthermore, based on the 2021 CDP survey, in line with the previous year, Salvatore Ferragamo entered the *2021 CDP Supplier Engagement Leaderboard*, a ranking that celebrates the leading companies assessed for their ability to engage suppliers on the issue of climate change, and obtained a Supplier Engagement Rating of A.

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

to identify and monitor the environmental indicators.
Among the other initiatives, in 2021 the agreement with UPS was extended to offset all the emissions caused by deliveries in Europe and the United States of products ordered through eCommerce. This offset takes place by adhering to carbon neutral projects and, in 2021, 233.99 tons of CO_2eq. were offset. The offset programs, regarding eCommerce shipments, have also continued thanks to a new partnership with DHL Express for the GoGreen project, which envisages the offset of CO_2 emissions resulting from the Group's shipments, equal to about 23 tons of CO_2 eq. in 2021.

In order to reduce CO_2 emissions from the delivery of goods and products over a short distance, in 2021 the collaboration with UBM bike couriers, for the deliveries of orders placed by customers at the Milan stores, continued. Again for the same purpose, collaboration was confirmed with Ecopony, an express courier service by bike, which enables the Florence store to deliver in the city without releasing any CO_2 emissions into the atmosphere.

In addition, with a view to reducing the environmental impact linked to the supply chain, the initiative aimed at promoting the reuse of cardboard boxes by footwear manufacturers, in order to reduce CO_2 emissions from the production of cardboard, continued. The pilot project, which started in 2016 and extended to 5 of the Group's main contract manufacturers, led to a saving of approximately 13 tons of CO_2 in 2021 thanks to the saving of emissions from the manufacture of new cardboard.

The project to offset emissions from the iconic Earth Top Handle bag and the F-80 Skeleton watch models is also part of the Group's environmental protection strategy. The international standard measures the environmental impact of products considering every aspect, from the procurement of the raw materials to their biodegradability, to promote maximum environmental efficiency. To achieve the carbon neutrality of the Earth Top Handle bag, Salvatore Ferragamo collaborated with Rete Clima, a non-profit organization engaged in responsible actions and initiatives to combat the ongoing climate crisis. Inspired by the desire to preserve the Italian heritage and use materials with a low climate impact, the partnership has contributed to the preservation of more than 1,200 hectares of Tuscan cork forests with the PEFC standard (Program for the Endorsement of Forest Certification), through sustainable forest management. To make the exclusive F-80 Skeleton model "carbon neutral", on the other hand, the Company has obtained carbon credits that offset the emissions generated, again thanks to the collaboration with Rete Clima. Through this partnership, Salvatore Ferragamo supported the Burgos Wind Project, the largest wind farm in the Philippines, thus establishing an ideal parallel between the movement of the watch hands and that of wind turbines. In addition to reducing greenhouse gases by generating electricity on a large scale from a clean and renewable source, the Burgos Wind Project aims to create sustainable jobs and economic opportunities for local communities.

The search for sustainable mobility solutions is another key aspect of the Group's sustainability vision. In Italy, Salvatore Ferragamo has adopted a Commuting plan for the Osmannoro site and, for several years now, has had a Mobility Manager to optimize employee travel and promote solutions allowing to curb environmental impacts. Within this framework, a number of sustainable mobility initiatives, which were suspended in 2020 due to the pandemic, were reactivated in 2021, including the corporate carpooling service and the Bici&Piedi program, both in collaboration with JoJob. Bici&Piedi, which allows anyone coming to work on foot or by bike to take part in the initiative and to reduce CO_2 emissions, has also been extended to electric micro-mobility. With the aim of promoting sustainable mobility and the use of JoJob, during the year, prize competitions were organized once again, both for carpooling and for Bici&Piedi. Finally, in 2021 the Group confirmed the agreements, in favor of its employees, with car and motorcycle manufacturers that offer hybrid or electric vehicles, car sharing services and sustainable micro-mobility services, such as Swapfiets and To-tem.
Also with a view to reducing emissions generated by mobility, in 2021 the Company signed a partnership with Alphabet, a BMW Group company specialized in the provision of corporate mobility services, for the promotion of sustainable mobility. The agreement provides for the replacement of the Company's fleet of more than 150 corporate vehicles in Italy with Plug-In Hybrid or Full Electric cars, with the aim of reducing CO_2 emissions. The Company therefore installed another 16 electric charging stations at its Osmannoro site in 2021.
Finally, again in 2021, with a view to resuming business travel, Salvatore Ferragamo joined the "Air France KLM Corporate SAF Program" project, an initiative launched by Air France and KLM. The Program allows for the reduction of the environmental impact generated by employees' air travel, thanks to a more significant use of fuels produced from food oil waste.

Social responsibility

Quality and Made in Italy

Salvatore Ferragamo has always been synonymous with Made in Italy

Salvatore Ferragamo has always been synonymous with Made in Italy, and quality – an unmistakable sign of refinement and excellence – is indisputable, permeating every facet of the Company's spirit and business operations. Right from his early days in the United States in the 1920s, Salvatore Ferragamo was a pioneer in exporting Made in Italy quality, craftsmanship that is not just a question of manual skills but also of experience, utmost care and attention to detail, continuous research into materials and technologies.

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

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

Today, the interest and drive to experiment remain, making the constant search for innovation a key value for the Brand. In 2021, also thanks to the cross-functional work team dedicated to the inclusion of alternative, regenerated and circular materials in its collections, the Group strengthened the link between sustainability and its products. Examples include the launch of the Earth Top Handle bag, the F-80 Skeleton watch, the Responsible Eyewear Collection and the Viva Responsible, sustainable reinterpretations of the Brand's iconic products. This is also the case for the Salvatore Ferragamo Icon-Up capsule collection, consisting of 300 pieces of iconic models of women's shoes and belts, recovered from the Maison's stock, and reimagined with a view to upcycling and circular economy.

Creating better products, however, also means starting from the early stages of the supply chain, paying close attention to the fibers and raw materials used. For this reason, during 2021, the Company replaced a number of basic components with more responsible materials: starting with the Fall-Winter 2021 collection, all leather soles used for the Brand's footwear have been purchased from suppliers certified according to the UNI 11427 Ecological Leather Standard; moreover, starting from the Pre-Spring 2022 collection, for all leather creations, from footwear to accessories, a 100% recycled polyester yarn from post-consumer sources has been used; finally, from 2022, the viscose used for the Vara bows will be replaced with a viscose that respects the well-being of forests and local communities. These initiatives are complementary to the many innovative and low environmental impact materials included in Salvatore Ferragamo's collections: from organic cotton to regenerated nylon yarns, from post-consumer recycled silk and cashmere to metal-free and vegetable tanned leather.

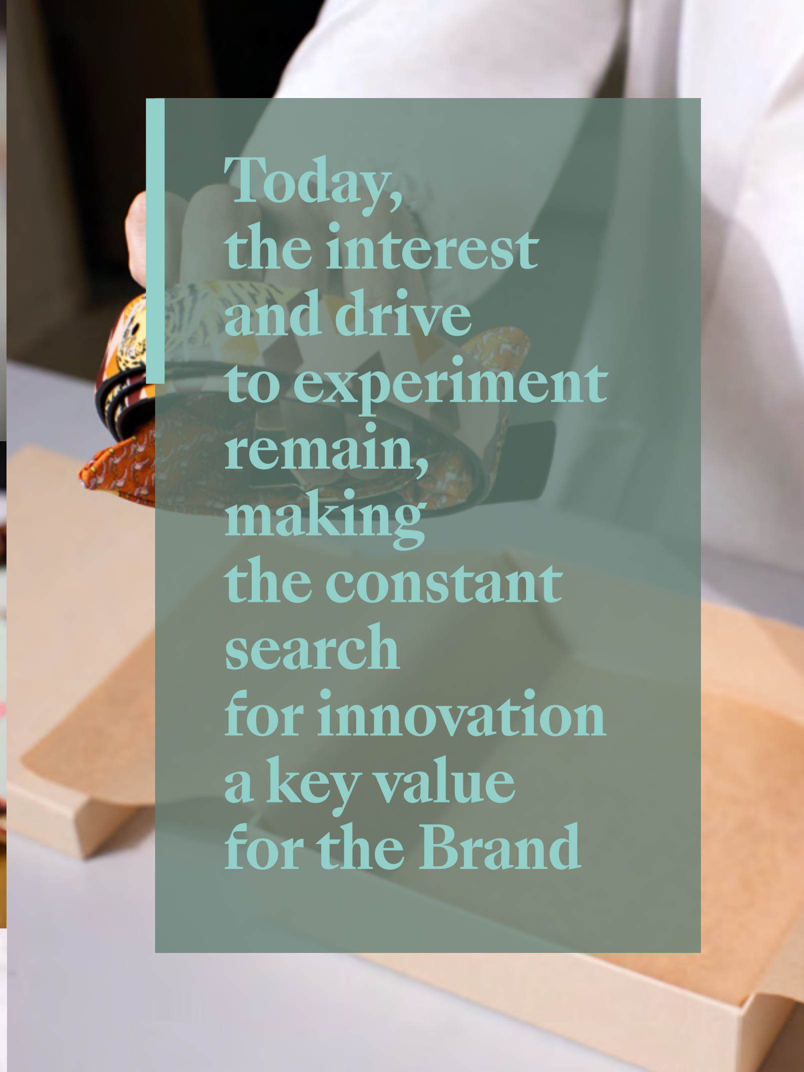
To facilitate the choice of innovative and responsible materials and ensure the highest quality, a guideline document has been drawn up defining characteristics, certifications, standards, partnerships and preferred sources of procurement to respect the environment, people and the planet. The guidelines are an evolving document, designed to ensure constant updating as materials continue to innovate. Moreover, in order to ensure greater attention to leather from a sustainability perspective, since 2021, the Company has joined the Leather Working Group (LWG), a not-for-profit organization

In 2021 the Group has strengthened the link between sustainability and products selecting alternative, regenerated and circular materials

for stakeholders in the lather supply chain, who work in synergy in order to improve the environmental management of the leather manufacturing industry.

The quality and craftsmanship that have always been the hallmarks of Ferragamo's footwear design and development find their highest expression in Manovia, the historic prototyping and manufacturing unit set up in 1967 where material cutters, sewers and assemblers work. Recently renovated at the Osmannoro site, the Manovia – which consists of approximately 20 artisans – mainly creates samples and prototypes and fine-tunes the structures (stretchers, heels, insoles and soles) for the new models and, since 2021, a limited production of sneakers. In the Manovia, the place where the unique know-how of Ferragamo's craftsmen takes shape, the models of the Ferragamo's Creations line are manufactured in limited quantities, numbered and entirely handcrafted using the techniques, materials and finishing details of the Founder. All Ferragamo's Creations shoes feature the Brand's historic logo, designed by Lucio Venna in 1930, and provide the opportunity to explore Salvatore Ferragamo's creative tradition, celebrating his pioneering vision and know-how. In 2021, thanks to their craftsmanship, the Manovia craftsmen contributed to the creation of the Salvatore Ferragamo Icon-Up capsule collection, making and fitting the bows deriving from silk products recovered from the Maison's stock.

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



Today, the interest and drive to experiment remain, making the constant search for innovation a key value for the Brand

Responsible and transparent procurement

Suppliers in figures - 2021

99.8%
Accessories purchased from Italian suppliers

92.6%
Leather hides purchased from Italian tanneries

99.3%
Textiles purchased from Italian suppliers

100%
Other raw materials purchased from Italian suppliers

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

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

When selecting suitable suppliers, the Group places special emphasis on the technical assessment of raw materials, semi-finished and finished products as well as the acquisition of documents concerning manufacturing plants – and, in some cases, it follows up with a visit to the premises. In order to ensure the essential quality of the Brand's products, the Salvatore Ferragamo Group uses a selection process for suppliers and contract manufacturers, aimed at assessing whether the potential new partners have the technical and qualitative requirements, the economic and financial prerequisites and all the documentation and certification required to start collaborating.
Potential new partners are requested to meet specific requirements in order to qualify as suppliers and contract manufacturers of raw materials or finished products for the Group,

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

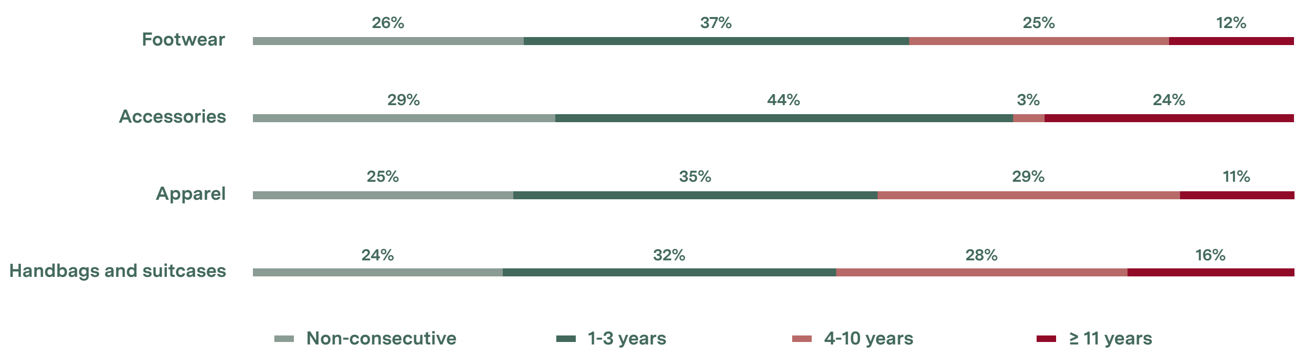
such as: the acceptance of the Supplier Code of Conduct, Privacy Policy, the signing of the Restricted Substances List (RSL), the statement of compliance with social security, welfare and occupational safety regulations, the statement of acceptance of the Subcontracting Policy, the list of sub-contract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

The Group recognizes the importance of manufacturing and selling products which comply, in terms of chemical security, to the laws in force on global markets, in order to protect the health of workers and consumers as well as reduce the environmental impact from manufacturing and throughout the product's life cycle. EU legislation relating to chemical safety is based on the REACH regulation, which regulates the restriction of the use of chemicals. For these purposes, environmental and toxicity tests are conducted on several components and finished products such as accessories, footwear structures, leather, textiles, leather goods, ready to wear, PVC shoes, and rubber soles, by selecting collaborators exclusively among certified raw material suppliers. Since 2016, the issue of chemical substances has also been addressed through the presentation of Salvatore Ferragamo's Restricted Substances Lists (RSL), which establish even stricter criteria than REACH, in line with the restrictions imposed by the other geographical areas where Ferragamo products are marketed. The lists, which were drawn up voluntarily in order to eliminate or restrict the use of some chemical substances during the manufacturing process, were updated during 2021 and were shared with all suppliers and contract manufacturers. During 2021, the subscription of the updated Group's RSL by suppliers of special works and structures, with both direct and indirect relationships with the Company, was completed.

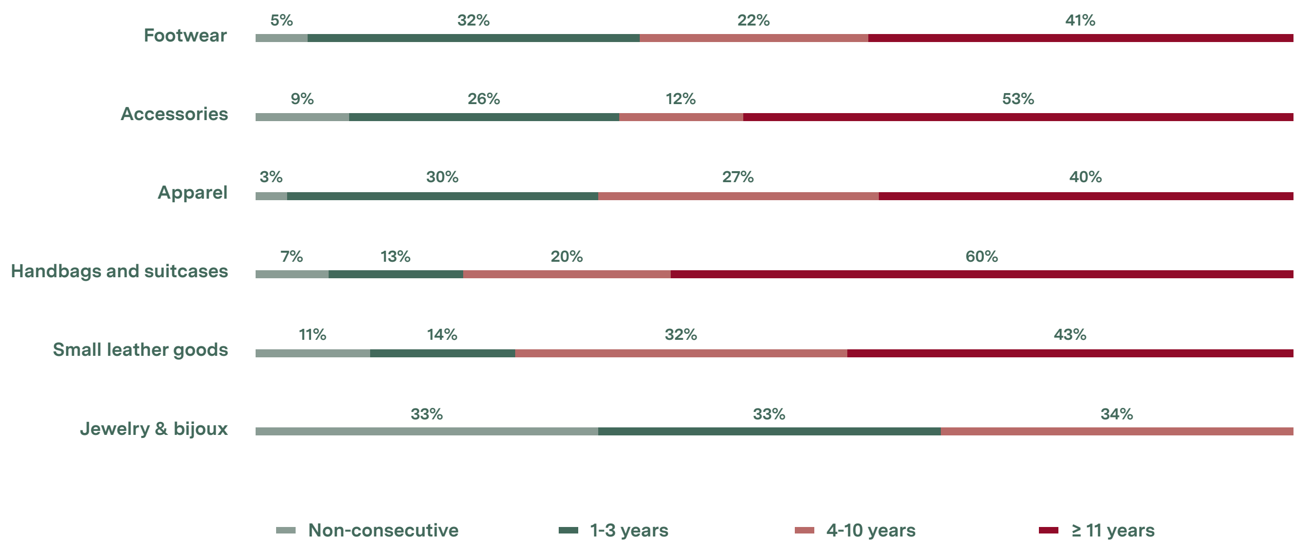
The Group relies on a procurement structure with a high level of technical preparation and works with historic companies, with which it has established an ongoing collaboration. This structure highlights the Group's strong connection to the local community and,

Geographical breakdown of Italian contract manufacturers by sector - 2021

Consecutive years of partnership with suppliers by sector - 2021



Consecutive years of partnership with contract manufacturers by sector - 2021



considering the geographic distribution, it has a high percentage of Italian raw material suppliers, equal to around 97% of procurement in 2021. Moreover, Tuscan contract manufacturers accounted for almost 53% of the turnover of finished product processing, while Campanian contract manufacturers accounted for approximately 24%; the remaining part of this 2021 turnover is allocated to the other Italian regions.

With respect to contract manufacturers, the Salvatore Ferragamo Group works exclusively with highly specialized manufacturing companies that meet the most demanding quality standards. Virtually all of them are located in Italy. The selection and retention of external contract manufacturers is key to the Brand, mainly for the purposes of maintaining the world-class quality standards of its products as well as protecting Ferragamo's extensive know-how developed over the years. Approximately 43% of contract manufacturers have worked with Ferragamo for over 11 years, including 60% of handbag and suitcase manufacturers and about 53% of accessory manufacturers. The retention of external workshops has been traditionally guaranteed by ongoing partnerships, the frequent exchange of information and skills between the Group and the contract manufacturers, and the highly specialized products and production processes involved. This integration is supported by an IT sys-

tem that connects the main workshops with the Group. This allows to share the progress of production and logistic processes, check whether raw materials are in the contract manufacturers' stock, and effectively plan the production stages as well as the procurement of raw materials and components. In addition, by signing the trademark protection agreement, the Salvatore Ferragamo Group bans external workshops from selling the Brand's products to third parties. Contract manufacturers are required to disclose if they work with any subcontractors, to which they can outsource different production processes, in accordance with the Policy limiting subcontracting to just one tier. In addition, the Group constantly monitors workshops through inspections performed by technical and production staff.

For the Group, collaborating with the supply chain is key to achieving the highest ethical and sustainable business development standards: for this reason, it promotes monitoring and awareness-raising initiatives along its supply chain constantly monitoring the adequacy of the procurement model. In particular, risk elements in the supply chain are assessed – in terms of impact and likelihood of occurrence – with respect to human rights, child labor, forced and compulsory labor, non-discrimination, freedom of association and collective bargaining, occupational health and safety, working time, remuneration and regularity of working conditions and applied disciplinary practices.
In order to mitigate the likelihood and impact of the occurrence of risks of human rights violations in its production chain, the Group carries out several controls related to their respect and, more generally, to the promotion of integrity and ethics in business. In particular, in addition to a specific qualification procedure for suppliers in the production sector, starting in 2019, the Group disseminated and required the signing of a specific Code of Conduct. Drawn up with a view to integrating social responsibility and collaborating with its own supply chain, the Supplier Code of Conduct sets out ethical principles and rules of conduct, which supplement the legal, regulatory and procedural standards that underpin commercial relations with the supply chain. The rules and standards of conduct concern business ethics and integrity, labor and human rights, respect for ecosystems and product responsibility. The recipients are responsible for guaranteeing their own compliance with the Code, as well as for disseminating it and asking their employees, suppliers and external collaborators to comply with it.
In order to monitor actual compliance with the principles set out in the Suppliers' Code of Conduct, the Group launched an audit plan on its direct contract manufacturers and suppliers. This audit work accompanies the monitoring of sub-suppliers which the Group has been performing since 2014, in order to assess compliance with ethical and social standards. The monitoring activity is coordinated by the Group Compliance function and carried out by a specialized external company according to a multi-year plan and includes both the request for a self-assessment, by filling in a questionnaire, and on-site audits, with interviews with workers and management and an inspection of suppliers' production sites. Based on the results of the audit, in case of non-compliance with the provisions of the Code, the addressees are obliged to implement the actions required to adjust their activities and operations in order to remove, prevent or mitigate any identified non-compliance. The plan envisaged specific actions to be implemented within agreed deadlines or suggestions for improvement activities.

In the event of serious or repeated violations of the Code, the Group reserves the right to terminate business relations with suppliers, as well as in the event of failure to implement the agreed improvement plan for the removal of any major non-conformities or failure to cooperate in the implementation of monitoring activities.
The Group encourages its suppliers to communicate any requests for information and interpretations on the adoption of the Code of Conduct and has set up specific channels for sending reports of alleged or ascertained violations of its provisions to the Ethics Committee. There were no reports received in 2021 with reference to issues related to human rights or violations of the Supplier Code of Conduct.
During 2021, 35 self-assessments and 74 audits were carried out, involving direct suppliers, as well as subcontractors. With reference to the non-conformities identified, 32 follow-ups were also conducted to verify the corrective measures implemented, of which 25 were carried out remotely and 7 through new visits to the suppliers' sites.
Among these, the most significant critical issues that emerged in 2021 concerned a limited number of suppliers and for the most part related to compliance with occu-

Tuscan contract manufacturers accounted for almost 53% of the turnover of finished product processing

The Group engages in monitoring activities to guarantee responsible management of its supply chain

pational health and safety standards. Minor findings and recommendations also mainly concerned health and safety issues and, for the remainder, environmental issues. With regard to respect for human and workers' rights, non-conformities emerged in a limited number of cases, exclusively related to subcontractors, irregularities that were promptly reported to the Company's direct suppliers to ensure that immediate corrective actions would be adopted.
Also in 2022, the Salvatore Ferragamo Group will be committed to continuing this monitoring, in order to guarantee responsible management of its supply chain in compliance with the laws in force.

In line with the special attention paid to social, environmental and economic impacts, the responsible procurement of materials of animal origin, which are used in manufacturing processes, is particularly important for each product category. The Group considers the approach to the issue of animal welfare along the supply chain essential, in the knowledge that the value of products can be maximized only while respecting the environment and biodiversity. To formalize its commitment to animal welfare, during 2020 the Group adopted an Animal Welfare Policy in order to guarantee that the whole supply chain acts appropriately in terms of animal welfare. The Policy establishes the minimum requirements, certifications, standards, forms of collaboration, strategies and procurement sources to be favored in order to guarantee such animal welfare.
In order to facilitate the qualification process for its supply chain, including the signing of the Supplier Code of Conduct and the Animal Welfare Policy, in 2019 the Ferragamo Link platform was launched, an integrated and collaborative solution for managing information and document flows with suppliers. The collaboration platform was designed in an intuitive way, with the aim of systematically managing the accreditation of a new supplier and the qualification of all direct suppliers of raw materials and finished products and in order to foster a synergistic and always positive relationship with the entire supply chain. During 2021, the platform was optimized to include new features and was adapted following the update of the Supplier Qualification Procedure, which provided for a reduction in the number of required documents.

Customer focus

The Group continues to pursue several initiatives aimed at customer satisfaction, adopting a customer-centric strategy

For Salvatore Ferragamo, quality lays not only in the craftsmanship excellence of its creations, but also in guaranteeing a gratifying customer experience. The Group continues to pursue several initiatives aimed at customer satisfaction, adopting a customer-centric strategy that allows anticipating the needs of existing and potential customers in order to create long-term value. In this perspective, during 2021 the Brand continued promoting the development of collections more and more focused on customer needs and that respond to fundamental and sought-after elements such as the importance of sustainability and the need for uniqueness. Moreover, great attention was paid to the "Buy-Now/Wear-Now" approach, i.e. products that the customer buys today and can immediately wear, as well as the need to develop products aimed at local customers. These activities have been made possible thanks to the collaboration between the Merchandising and Customer Experience teams, which worked increasingly side by side, thus enabling a better understanding of current and potential customers, so as to propose collections that are increasingly focused on what the market is looking for.
In order to be able to implement the Company's customer centricity strategy, it was essential to continue, in 2021, with the implementation of a continuous flow of dialog with the markets with the aim of meeting specific requirements and sharing regional best practices. Moreover, the cross-functional project launched in 2020 to support the remote buying process also continued in 2021: the Virtual Showroom, a digital catalog that has made it possible to continue buying activities and to dialog with buyers from all over the world, despite the physical distance.

To ensure customer understanding and satisfaction in every situation, the Group strives to make its sales staff capable of conveying the passion for craftsmanship and quality that characterized Salvatore Ferragamo's work. In this regard, in 2021 the "Stardust" training plan continued to be developed, whose name recalls the Founder's epithet "Shoemaker to the stars" and focuses on the importance of the customer relationship and the training of store managers and sales assistants. The cornerstone of the "Stardust" plan retail strategy is directly linked to the customer experience, in order to enable them to experience "Salvatore Ferragamo emotions", such as energy, magic and authenticity. In 2021, the learning methods and tools used for training were adapted to the emergency situation caused by the pandemic in order to offer engaging and exciting experiences, despite the physical distance. Moreover, during the year a process dedicated to the development of "multichannel relationship management skills" was implemented in order to support retail staff in their ability to create emotional synergies and memorable experiences in digital environments. These training initiatives had a positive impact on the customer experience, and enabled staff to be involved at a time of great need for social interaction.

For Ferragamo, the store has always been one of the main points of contact to communicate and experience the Brand and product through an engaging experience. In 2021, the prolongation of the Covid-19 pandemic and the localized spread of the virus has led to a strengthening of the hybrid model of engagement and actualization of the customer experience. The digital world has shown its valuable ability to reduce distances, encouraging innovative, engaging and quality experiences, including: the exclusive gifting service made with regenerated and upcycled materials available to loyal customers; the involvement of a stylist for the remote presentation of the collection and creation of dedicated looks for customers; the creation of digital and non-digital experience activities such as wine tasting, and workshops for the creation of home decorations; and the concierge service that involves the delivery of products to the customer, offering them the possibility to try the products at home, in

complete safety. The experiences continued in the real world, with the organization of customer-oriented events such as the one held in Capri and Forte dei Marmi to present the Tuscan Wild Flowers collection, as well as the one held in Milan during the Milan Design Week 2021 to present the collaboration with Molteni&C.
Also in 2021, to create opportunities for dialog and listening with customers, the pilot projects launched in 2020 were expanded: ClientiAmo, a clienteling app that facilitates personalized interaction between sales staff and customers, and Heartbeat, a net promoter score system dedicated to understanding customer needs with the aim of increasing customer satisfaction.

For the Group, the integration of the digital world into the customer relationship completes the Group's brand experience, offering the possibility to enrich the knowledge of the Brand in an effective and experiential way. During 2021, customers had the opportunity to connect more with the Salvatore Ferragamo world through several digital engagement initiatives. During 2020, Salvatore Ferragamo created a new, more effective and intuitive experience, combining the real and digital universes in the new eCommerce website. In the same year, the launch of the eCommerce website was followed by the Augmented Store 360, a virtual tour of the boutiques that allows customers to immerse themselves in the collection, moving through the rooms of the store to discover the products, see their details, get information about them, and purchase them through eCommerce. With a focus on further improving the online experience and meeting the expectations of increasingly digital customers, in 2021 the Group introduced innovative payment methods in some geographical areas, including installments and cash on delivery. Moreover, an online video chat service has been introduced, which makes it possible to offer a more immersive shopping support experience. In addition to improving the online experience on its channels, in 2021 the Group consolidated its digital presence at a global level, through a partnership with Farfetch for the Hong Kong market and a partnership with Zozo Town in Japan.

Also in 2021, a new stage in the Brand's digital innovation journey was launched: Enigma, a gamification and customer engagement project that invited customers to solve 4 puzzles through 4 different games, leading them to become attached to the brand and to subscribe to the Salvatore Ferragamo newsletter to follow the latest news. Moreover, with a view to customer engagement and with the intention of hosting, nurturing and supporting the continuous exchange around the issues of sustainability, inclusiveness and cultural support, on Earth Day 2021, Sustainable Thinking was also launched, a new digital platform integrated within the Brand's eCommerce website. The platform offers thematic insights that embrace all-around sustainable thinking, where new ideas on responsible projects and activities come to life, also thanks to an international network of contributors with different levels of sensitivity and experiences, ready to harmoniously address the continuous evolution of sustainable issues:

from social justice to sustainable supply chains, from climate change to innovative materials with a low environmental impact. Various personalities were invited to express their views on the changes and innovations that the planet is undergoing today. Moreover, on the Sustainable Thinking digital platform, Salvatore Ferragamo wanted to give visibility to specific insights into the responsible products included in the Brand's collections, also engaging in dialog with the Group's suppliers, with the intent of sharing stories of innovation and circularity that are characteristic of Made in Italy.

The theme of sustainability has also found space in the renewed sustainability.ferragamo.com website, where social and environmental sustainability initiatives, commitment to the community and territory, and challenging goals for the future accompany the public on a journey through tradition and innovation, to discover Salvatore Ferragamo's deeply rooted sustainable culture. The experience on this channel has been made inclusive and global, thanks to the optimization of the website for all devices and its availability in 8 languages.

The digital initiatives have also involved social media, the use of which makes it possible to further engage customers and guarantee a complete experience of the Brand. In 2021, numerous digital initiatives were launched, with a focus on strengthening the brand and product identity through creativity and diversity. The projects developed during the year have therefore been characterized by collaborations with local artists and great attention to the link between art, culture and the world of fashion. In particular, 2021 began with the fashion film dedicated to the Spring-Summer 2021 advertising campaign made by film director Luca Guadagnino, creating a concentration of suspense and trepidation in pure Hitchcockian style. The world of cinema was also the protagonist of the short film entitled "A Future Together", made by three-time Oscar-nominated director Wim Wenders for the Fall-Winter 2021 advertising campaign. Set in a futuristic sci-fi movie setting, "A Future Together" is a postmodern and multidimensional reflection on hypothetical future scenarios: a myriad of positive possibilities to be discovered. Finally, the link between fashion and cinema was the backdrop for Movie O'Clock, the Brand's holiday marketing campaign presented in November 2021. Moreover, on the occasion of the launch of Movie O'Clock, the innovative House of Gifts was launched, a virtual space within the eCommerce website that replicated the villa where the advertising campaign was set, allowing customers to discover various Ferragamo products.
Also in 2021, following its presentation in 2020 at the 77th Venice Film Festival, the premieres of "Salvatore - Shoemaker of Dreams" – Luca Guadagnino's documentary on the story of Salvatore Ferragamo, an icon of Italian fashion and founder of the brand – were held in Rome, Florence, Milan and Naples. The premieres were attended by the Ferragamo family next to Luca Guadagnino and by many VIPs and celebrities who are friends and supporters of the Brand.
For the third year in a row, the Gancini project continued with the launch of a new print, Gancini Iconic, presented through projects developed in partnership with local artists based in Shanghai and Hong Kong. During 2021, the art world was also celebrated and supported through collaborations for the #PatchworkofLove multimedia project, for which artists working with mix-media have created content using Ferragamo icons. The common thread with the world of art once again emerged at the launch of the SETA exhibition, inaugurated in March 2021 at the Museo Salvatore Ferragamo. The inauguration, in fact, was an opportunity to present – through the Brand's social media channels – the video film "Look Back Anouk" created by artists Rocco and Irene, which draws inspiration from the world of silk created by Fulvia Ferragamo. Silk was also the protagonist of the #SilkyourStyle project, which saw 100 influencers inter-

In 2021, Sustainable Thinking was launched, a digital platform with insights on sustainability

pret the history and style of Ferragamo silk scarves.
2021 was a year of innovation and evolution of Ferragamo icons. To celebrate Earth Day 2021, sustainable re-editions of two iconic products were also launched through the Brand's digital channels, which represent the encounter between innovation and tradition and the deep commitment to the use of materials with a lower environmental impact: the Earth Top Handle bag and the F-80 Skeleton watch. Moreover, a new interpretation of the iconic Studio Bag, made using limited edition organic cotton, was at the center of the Tuscan Wildflowers digital campaign, also the result of the collaboration with digital artists from different parts of the world.
Finally, with the aim of engaging an increasingly more innovative and passionate audience of the digital world, in 2021 Ferragamo opened its own TikTok channel, launching the Ferragamo Dance Challenge on the occasion of the presentation of its Let's Dance capsule collection.

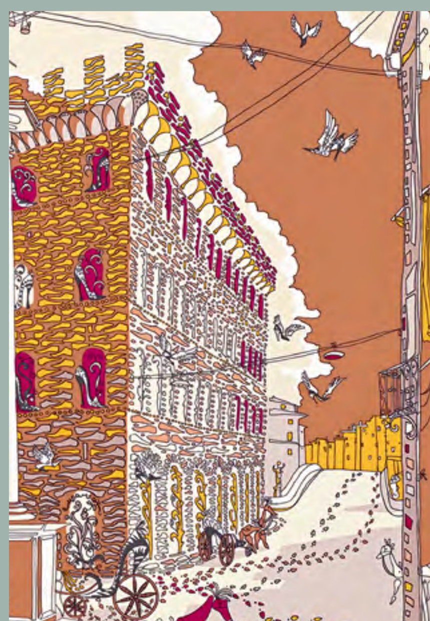
Over the years, the Salvatore Ferragamo Group has implemented a series of online and offline anti-counterfeiting measures to protect its customers and the value of its brands. During 2021, protection measures against the risk of online counterfeiting were enhanced, through the adoption of new technologies for the automatic recognition of fakes sold online. The control activity against counterfeit sales on streaming platforms was also enhanced. Following Salvatore Ferragamo's reports, about 22,000 illegal pieces of content and profiles were identified and removed from the main social media platforms globally, as well as almost 130,000 ads related to counterfeit goods on eCommerce platforms. Moreover, 325 illegal websites were challenged. The Group has also filed lawsuits against a number of illegal online activities, such as the action in collaboration with Amazon filed in the United States in February 2021 against four individuals and three legal entities that have Ferragamo-branded counterfeit products for sale in the Amazon store.
Still in 2021, the Group continued to maintain a solid commitment to also carry out controls on physical markets of interest globally through various in-court and out-of-court administrative and criminal proceedings, focusing its efforts on one of the areas where counterfeiting is most widespread, namely China. In this country, also thanks to the cooperation with law enforcement authorities, 345,050 counterfeit products were seized in 2021, compared to a record total of 442,331 worldwide.
This repeated commitment underlines just how the protection of intellectual property is a priority for Ferragamo and how the Group is actively pursuing the fight against counterfeiting with a great deal of awareness and determination.
As part of the initiatives promoted in favor of customers, the Group uses the Authenticity Tag system, which protects the consumer that purchases a genuine and Made in Italy Salvatore Ferragamo product, preventing and limiting counterfeiting. This innovative traceability project consists in the implementation and adoption of an NFC (Near Field Communication) solution to uniquely identify Salvatore Ferragamo products. NFC is a radio-frequency technology based on a

The presence of the Salvatore Ferragamo Group in social media - follower growth (2021 vs 2020)

Instagram	+10.24%
YouTube	+17.22%
Weibo	+20.73%
WeChat	+20.97%
LINE	+113.27%
Spotify	+501.69%
Podcast	+34.26%

chip, which stores the data, and an antenna capable of transmitting the same once solicited by a reader using radio waves. The combination of chip and antenna is the so-called Tag. The radio signals sent by the RFID tag can be read through the most popular smartphones (equipped with a reader). The RFID Tag is embedded into the product at the end of the manufacturing process and activated following a quality control check. It cannot be counterfeited, as it is based on a unique identifier certified and assigned by a manufacturer. Furthermore, it allows to encrypt or protect the data on it with a password as well as read it from a distance of only a few centimeters. Industry insiders can also access an application that reads some of the data stored in the Tag, such as the serial number, the manufacturer number, and the collection the product is part of. The Group has gradually expanded the scope of the project in recent years, and the Tag is currently embedded into 80% of Ferragamo products. In particular, with the exception of some models, the Tag is included in all Ferragamo leather products and silk accessories, as well as on men's and women's t-shirts.

Link with the community and local territory



Founded on the deep-rooted values of family and community, the Group defined and adopted a Charity Policy

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

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

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

Founded on the deep-rooted values of family and community, the Group defined and adopted a Charity Policy to make several donations to charity initiatives promoting Italian culture across the world as well as the health of women and children. The purpose of this policy is to provide a reference framework, for all Group subsidiaries, to be followed in defining donations, gifts and any participation in charitable associations, foundations and non-profit organizations. This process favors a stronger governance and a new approval process, in order to coordinate more effectively charitable actions at an international level.

In line with its commitment to protecting the health of women and children, in 2020, an important five-year collaboration project was launched with the Meyer Foundation of the Meyer Children's Hos-

pital in Florence, an outstanding center for pediatric research and treatment. The collaboration envisages the Company's support for the Hospital's newborn screening activities. During 2021, the first objectives, achieved thanks to the provisions made and allocated to the development of scientific research and technological investment of the Children's Hospital, were presented. Salvatore Ferragamo's support has allowed the Meyer Foundation to achieve two of its objectives: the support for the research activities of the Newborn Screening Laboratory, with the purchase of a mass spectrometer (a machine that will be used for the diagnosis of rare diseases in newborns, as part of the screening activities carried out by the lab) and the actualization of a substantial investment on the clinical development of pediatric cardiology, with the arrival of a high-end echocardiograph and an MRI upgrade.

In September 2021, a new edition of Corri la Vita was held in Florence, a fundraising event created with the aim of contributing to the creation and qualification of national health facilities specializing in the treatment of breast cancer through psychological support, physical and social rehabilitation, prevention, training, and palliative care. The event stood out from previous ones because, for the first time, it saw the involvement of the whole region, starting from Florence and inserting new cultural destinations scattered throughout the Tuscan territory. Also for 2021, the event was held online and individual sport was promoted through Facebook and Instagram live feeds on instructor and gym channels. Salvatore Ferragamo was once again one of the event's main sponsors, donating around 30,000 T-shirts. Thanks to the significant participation of Ferragamo employees, the Company also received the award as one of the largest groups to have purchased the shirts. The funds raised in 2021 were allocated to the EVA project that will involve the whole Florence area (Florence, Prato, Empoli, and Pistoia) in the fight against breast cancer and assistance to cancer patients; in addition to this, it also cooperated with Florence's LILT (the Italian League for the Fight against Cancer) to support the Ce.Ri.On. (ISPRO-LILT Cancer Rehabilitation Center in Villa delle Rose), FILE (Italian Foundation for Palliative Care) and SenoNetwork Italia Onlus, a portal that brings together the Italian Breast Units. In line with previous years, the Museo Salvatore Ferragamo participated in the initiative by granting free admission to all participants for the entire day.

Also in line with the Company's Charity Policy, during the year Salvatore Ferragamo was able to support CoorDown ODV (the National Coordination of Associations of People with Down Syndrome) on several occasions. Since 1987, CoorDown has been focused on the protection of the rights of individuals with Down syndrome, promoting their inclusion in school, work, sports and social life. Among other support and collaboration initiatives, Salvatore Ferragamo has allocated the funds saved from not printing the 2021 Christmas cards to CoorDown, to support the Association in its new work placement projects for people with Down syndrome. Moreover, to support CoorDown's "The Hiring Chain" campaign, Salvatore Ferragamo created about 5,000 t-shirts, designed by the Style team, which have been distributed across the national territory by a network of 54 associations, to help promote the campaign and spread awareness on inclusive workplaces.

In 2021 Salvatore Ferragamo has supported CoorDown on several occasions, joining also "The Hiring Chain" campaign

In 2021, Salvatore Ferragamo supported and played host to numerous groups in its company space for fundraising initiatives, including: Trisomia 21 Onlus, Fàedèsfa Onlus, an association that helps children with rare genetic disorders, ANT Italia Onlus Foundation and Tuscany Cancer Association.

In 2021, Salvatore Ferragamo also donated slow-moving raw materials to various charities, such as: Flo Concept, Pungiglione Onlus and Progetto Quid, which used the materials to make masks for the Company's employees.

Despite the numerous restrictions and local lockdowns imposed in different parts of the world, the Company's social commitment continued not only in Italy, but also in numerous other areas where the Salvatore Ferragamo Group operates.
In Korea, for example, the Group made a donation to promote women's empowerment and independence through the Community Chest of Korea non-profit organization.
In North America, a number of entities received support, such as: the American Italian Cancer Foundation, the Statue of Liberty Ellis Island Foundation and the Detroit Public Safety Foundation.
In Taiwan, instead, the Group repeated the important initiative of Christmas gifting for less fortunate children who live in remote areas, involving employees in the creation of "Christmas Boxes" with gifts of various kinds inside.
Finally, in full respect of the Group's commitment to environmental and social sustainability, Ferragamo Hong Kong employees have organized and taken part in numerous initiatives, including a beach cleaning organized by Ocean 3C and participation in the "Walk for Equality" fundraising sports initiative organized by SENsational Foundation, an association created to allow equal opportunities for people with disabilities and committed to building an inclusive environment for all.

Museo Salvatore Ferragamo and Fondazione Ferragamo

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

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

Following the restrictions imposed by the Covid-19 pandemic, in March 2021, thanks

The Museo Salvatore Ferragamo inaugurated in March 2021 the "SILK" exhibition

to the Virtual Tour consolidated by the Group over the course of the lockdown, the SILK exhibition project organized by the Museo Salvatore Ferragamo was inaugurated online.
The SILK exhibition was designed to celebrate the printed accessories of which Fulvia Visconti Ferragamo was the creator and, for a long time, also the creative soul. The exhibition aimed to narrate the perfect union of creative insights, inspirations and high industrial craftsmanship that lies behind the production of a silk print, through the Maison's rich archive. The dream of the Company's founder had, in fact, been to transform the brand, known all over the world, into a fashion house that would dress head-to-toe. Starting from 1970s his desire was translated into reality by one of his daughters, Fulvia, who started a continuous production of printed accessories. From that moment on, the magic of silk established itself as a defining element of the Ferragamo world, becoming a sign of great distinction for the brand thanks also to the subjects of its prints, inspired by nature and by the animals that populate exotic landscapes, jungles and fantastic savannahs.

The launch of the exhibition's Virtual Tour also coincided with the inauguration of the Museum's new website, a fully renewed platform in terms of its content and graphics and designed to offer visitors ever-more information on the activities – past, present and future – of the Museo Salvatore Ferragamo.

The Museum constantly cooperates with many institutions, associations, schools and universities throughout Italy, taking part in cultural events and sometimes offering reduced-price entry tickets to the Museum and organizing special tours.

In 2021, the Group continued working together with leading Italian cultural institutions such as Museimpresa, the Italian association of corporate archives and museums, the Portal of the 20th Century Fashion Archives at Rome's State Archive, a platform created in 2011 at ANAI (the Italian National Association of Archivists) and Europeana Fashion, the European digital library to which the Salvatore Ferragamo Group submitted more than 1,000 records of historic footwear. The Museo Salvatore Ferragamo is part of ICOM (International Council of Museums), the most important and prestigious international organization for museums and museum professionals.
The initiatives undertaken included the "International Museum Day", whose theme in 2021 was "The Future of Museums: regenerating and reinventing themselves".

As a member of the Italian Association of Corporate Archives and Museums, the Museo Salvatore Ferragamo took part in November 2021 in the Week of Business Culture, the series of events promoted by Confindustria that, through meetings, workshops, films and guided tours, informed visitors about the huge cultural heritage safeguarded in the museums and archives of Italian companies.

Fashion and costume are two of the themes at the heart of the Museo Salvatore Ferragamo's activities. Also for 2021, the Museum took part in ApritiModa, a project that for one weekend a year allows the public to visit and discover the most hidden and secret places in the world of fashion and Made in Italy. For the 2021 edition, the Museo Salvatore Ferragamo opened its doors to participants with ad hoc organized visits.

Finally, every year the Museum renews its collaborative relationship with the main fashion universities in the Florence area and across the national territory. Thanks to relationships consolidated over time, the Museum is also part of the education programs offered to primary and secondary schools, thus ensuring an increasingly high number of young students. In October 2021, two events dedicated to children were also held: F@MU – The National Day of Families at the Museum and Florence for Children. For the two events, the Museo Salvatore Ferragamo, in collaboration with the Fondazione Ferragamo, welcomed young visitors on special educational visits, in Italian and English, supported by a book published by the Fondazione Ferragamo. As is the case every year, free educational activities were also organized for employees and their children.

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

The history of the Ferragamo family, as well as all the Company's heritage, is preserved in the Salvatore Ferragamo Archive, since 2013 under the management of the Fondazione Ferragamo and dedicated to Fiamma Ferragamo, the Founder's daughter. In 2019, the transfer of the whole Archive material to a space at the Osmannoro site in Florence was completed. The physical reunification of the various collections in a single location enabled an improvement in the security of the cultural heritage in terms of conservation, safeguarding and control and increased the usability of the documents and products contained therein.
The Salvatore Ferragamo Archive, which includes garments, bags and other accessories, documents and photographic material, stretchers, historical leathers and works of art, represents the memory of the entire corporate culture, codes, values and identity of the Brand, and is a continuous source of inspiration for designers and marketing managers involved in the development of new products. To this end, an area dedicated to the search and consultation of archival materials, catalogs and journals has been created in the new Archive space.

The Salvatore Ferragamo Archive in figures

Over 14,500
Shoe models

Over 1,500
Bags

Over 4,800
Garments

Approx. 5,500
Ties

Over 590,000
Data sheets

The Foundation also organizes guided tours for special guests to discover the Salvatore Ferragamo Archive and Manovia, the Brand's underlying footwear production department.

In recent years, the Fondazione Ferragamo has begun a digitalization process of all the material in its Archive through a database capable of collecting extremely heterogeneous information and data.
Moreover, thanks to the massive cataloging process developed in 2019, the process of uploading articles mentioning the Company and the Group directly in the software was made automatic by automatically creating a cataloging record with information and attached files. The interface created allowed more than 14,200 new press review records to be imported in 2021.

The Fondazione Ferragamo took part in the Archivissima festival, the most important Italian festival dedicated to the promotion and enhancement of archives. The theme chosen for 2021 is linked to the different generations, each one an expression of its own culture and guardian of its own heritage, but at the same time interconnected with what has preceded it and with what is to be generated in the future. The Foundation created a short documentary for the occasion in which, by narrating the experiences and projects carried out over the years and aimed at different generations, the fundamental values of the Fondazione Ferragamo – which has always been committed to supporting the younger generations and valuing the Brand's Archive – emerge.

Education and training are some key objectives around which the Foundation plans its work. Among other initiatives, the Fondazione Ferragamo hosts "Ideas and creativity workshops" for children, teenagers and adults dedicated to craftsmanship, fashion, and design. In 2021, the workshops involved around 150 children in attendance.

In 2021, the Fondazione Ferragamo was able to resume School-Work Alternation projects dedicated to secondary schools. The students were welcomed at the Foundation's headquarters and had the opportunity to learn about the management of a company archive, to contribute to its implementation and to acquire real extracurricular skills. In fact, in 2021, a three-year agreement was signed with the Istituto Tornabuoni Cellini high school in Florence, for classes aimed at fashion, industrial and craft production.

Still in the field of education and training, the Fondazione Ferragamo collaborated on the 2021 edition of ITS - International Talent Support, one of the world's most authoritative contests for emerging talents in fashion involving every year hundreds of young people from all around the world. The Foundation sponsored the 2021 edition, introducing a special prize dedicated to the footwear category. The winning designer, who submitted a capsule collection designed with sustainability and circularity of materials in mind, was offered a cash scholarship and the chance to do an internship in the Company's creative departments.

In 2021, a collaboration agreement was signed between the Fondazione Ferragamo and SOS - School of Sustainability, the post-graduate academy for the training of sustainability professionals in the social, economic and environmental fields. The Foundation's contribution will be used to finance a research project entitled "Temporary Retail for the Circular Economy", aimed at developing design ideas for temporary and/or pop-up stores that include the use of sustainable, reusable, biodegradable, decomposable and recyclable materials. The project will continue in 2022.

Finally, in 2021, the Foundation collaborated on the "Blogs & Crafts" contest for young artisans and bloggers, promoted by the Florentine event "Artigianato e Palazzo", which in 2021 was in its eighth edition. The initiative supports the new generations of artisans and increases online and social media visibility, to create a productive combination of "doing" and "communicating" skills. For the occasion, the Foundation held educational workshops for the entire duration of the event and organized a guided tour of the Archive for the winners.

EU Taxonomy

INTRODUCTION

Regulation (EU) 2020/852 (hereinafter the "Taxonomy Regulation") introduced the EU Taxonomy framework into the European regulatory system, with the aim of defining the conditions under which certain economic activities can be considered "environmentally sustainable" and stimulating transparency in relation to the initiatives put in place to promote the ecological transition, including through the adoption of sustainable financial models.

In line with the provisions of Article 8 of the Taxonomy Regulation, the Salvatore Ferragamo Group (hereinafter referred to as the "Group") is subject to the obligation to include within its NFS, drawn up pursuant to Legislative Decree no. 254/2016 in transposition of the relevant European legislation, a specific disclosure on how and to what extent the Company's activities are associated with economic activities considered to be "environmentally sustainable" pursuant to Articles 3 and 9 of the same Taxonomy Regulation.

The Taxonomy Regulation and the additional Delegated Regulations (EU) 2021/2178 and (EU) 2021/2139 provide that for the 2021 reporting period, companies subject to the aforementioned obligations must communicate a set of information relating to economic activities considered eligible[14] or non-eligible for the purposes of[15] the EU Taxonomy (hereinafter also referred to as "Eligible Activity", and "Non-eligible Activity"). Subsequently, starting from the 2022 reporting year, such companies will be required to communicate this information in relation to activities aligned ("aligned" activities)[16] to the EU Taxonomy, in other words that comply with the technical requirements defined by the legislation, that do not cause significant damage to any of the environmental objectives and that are carried out in compliance with the minimum safeguards envisaged.

In particular, for the 2021 reporting year, the Taxonomy Regulation and the other regulatory elements connected to it require the disclosure of the proportion of turnover, CapEx and OpEx considered eligible. As such, as at the date of publication of this NFS, only information related to economic activities that are considered to be able to contribute substantially to two of the six environmental objectives defined by Article 9 of the Taxonomy Regulation are available: Climate Change Mitigation and Climate Change Adaptation. Therefore, the Group has developed specific analyses useful for assessing the degree of eligibility, in line with what was mentioned above, taking into account the economic activities described in the reference documentation available to date.

[14] Economic activity described in the delegated acts adopted pursuant to Articles 10 (3), 11 (3), 12 (2), 13 (2), 14 (2) and 15 (2) of Regulation (EU) 2020/852, regardless of whether that economic activity meets one or all of the technical screening criteria set out in the aforementioned delegated acts.

[15] Economic activity not described in the delegated acts adopted pursuant to Articles 10 (3), 11 (3), 12 (2), 13 (2), 14 (2) and 15 (2) of Regulation (EU) 2020/852.

[16] Economic activity that meets the requirements set out in Article 3 of Regulation (EU) 2020/852, that is, which simultaneously complies with the following requirements: a) contributes substantially to the achievement of one or more of the environmental objectives defined by Article 9 of Regulation (EU) 2020/852; b) does not cause significant damage to any of the environmental objectives referred to in Article 9, in accordance with Article 17; c) is carried out in compliance with the minimum safeguard guarantees provided for in Article 18; and d) complies with the technical screening criteria established by the Commission pursuant to Articles 10 (3), 11 (3), 12 (2), 13 (2), 14 (2) and 15 (2).

ANALYSIS OF ELIGIBLE ACTIVITIES

In order to start the analysis aimed at satisfying the aforementioned requirements, the list of economic activities included in the reference documentation for the two objectives of Climate Change Mitigation and Climate Change Adaptation were examined, for which the reference technical documentation is available at the date of publication of this document, comparing them with those of the Group, both by comparison of the respective NACE/ATECO codes[17] and by comparison of the substantial description of the activities.

Based on the interpretation of the requirements applicable to date, the Group has assessed that its main activities are not included among those currently identified by the reference legislation for the two environmental objectives referred to above, and consequently are not eligible as of the date of drafting of this document.

This assessment focused on the Group's main economic activities, linked to the manufacture and marketing of clothing, footwear and accessories. The residual activities of leasing owned properties and sub-leasing of leased properties, entirely attributable to the Ferragamo USA Group, were excluded from this analysis, as they are considered marginal and not a substantial expression of the Group's activities.

In light of these considerations, the KPIs provided for by the Taxonomy Regulation were calculated, developing a preliminary analysis that also took into account investments and operating expenses related to the purchase of output from Taxonomy-aligned economic activities and/or individual measures enabling greenhouse gas reductions.

METHODOLOGY FOR CALCULATING THE KPIS PROVIDED FOR BY THE TAXONOMY REGULATION

The Group carried out an analysis of turnover, investments and operating expenses related to the 2021 financial year, for the calculation of the KPIs required pursuant to the Taxonomy Regulation and the additional applicable regulatory references[18], as described below.

TURNOVER[19] KPI:

For the calculation of the turnover indicator, the consolidated net turnover was considered for the denominator, in accordance with IAS 1.82(a). As for the numerator, based on the above considerations and on the interpretation of the Taxonomy Regulation, as at the date of publication of this NFS, no proportion of turnover generated by the sale of goods or services related to economic activities considered eligible in relation to the objectives of Climate Change Mitigation and Climate Change Adaptation was identified.

CAPEX[20] KPI:

For the calculation of the Capital Expenditure (CapEx) indicator, in the denominator, in line with the provisions of the applicable legislation, the increases in property, plant and equipment and in intangible assets during the year were considered, before

[17] NACE: abbreviation for the Statistical Classification of Economic Activities in the European Community, a classification used in national accounts schemes by the Statistical Office of the European Union (Eurostat) and accepted by the statistical offices of the member countries. ATECO: Italian equivalent of NACE, classification adopted by the Italian National Institute of Statistics (ISTAT).

[18] The analysis and methodology for calculating the KPIs were carried out with particular reference to the interpretation of the information defined by Annex I of the "Delegated Regulation (EU) 2021/2178 of the European Commission of 6 July 2021, which supplements Article 8 of Regulation (EU) 2020/852 and the "Draft Commission notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of eligible economic activities and assets" document published on 2 February 2022.

[19] The financial data included in this KPI correspond to the Group's net revenues shown in the Annual Report as at 31 December 2021: Consolidated Financial Statements, note 33 of the Consolidated Financial Statements.

[20] The financial data included in this KPI correspond to the increases in fixed assets shown in the 2021 Annual Report: Consolidated Financial Statements, notes 7, 8, 10 and 11.

depreciation/amortization and any revaluations, including those resulting from restatements and reductions in value, for the year in question, and excluding changes in fair value. In particular, the denominator includes any acquisitions of property, plant and equipment (IAS 16), intangible assets (IAS 38), investment property (IAS 40) and right-of-use assets (IFRS 16).
As far as the numerator is concerned, increases in fixed assets in line with the Group's interpretation of the Taxonomy Regulation and the additional regulatory references were considered eligible. The increases in fixed assets related to the purchase of output from Taxonomy-aligned economic activities and/or individual measures enabling greenhouse gas reductions have thus been considered. These mainly include investments made for energy efficiency and the reduction of energy consumption of buildings and stores, for the installation of charging stations for electric vehicles and for the renewal of the company fleet with hybrid and/or electric vehicles. As a result, the remaining part of property, plant and equipment, intangible assets and right-of-use assets considered in the denominator were deemed non-eligible.

OPEX[21] KPI:

For the calculation of the Operating Expenditure (OpEx) indicator, in the denominator, in line with the provisions of the applicable legislation, all non-capitalized direct costs related to research and development, building renovation measures, short-term leases and variable lease payments, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the company or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets were taken into account. Expenses related to the day-to-day operation of assets of property, plant and equipment such as raw materials, cost of employees using the machine, electricity or fluids needed for the operation of such assets were not included.
As far as the numerator is concerned, the costs included in the denominator related to the purchase of output from Taxonomy-aligned economic activities and/or individual measures enabling greenhouse gas reductions were considered eligible. In particular, the costs related to energy efficiency and reducing the energy consumption of buildings and costs for short-term contracts for the corporate fleet of hybrid and/or electric vehicles were included. Consequently, the following were considered as non-eligible: the remaining part of costs included in the denominator.

ANALYSIS RESULTS

In view of the analysis carried out, summarized in the previous points, based on the current interpretation of the applicable legislation, the Group calculated, with reference to the year ended 31 December 2021, the proportion of turnover, capital expenditures and operating expenses related to economic activities currently considered to be eligible or non-eligible with reference to the Climate Change Mitigation and Climate Change Adaptation objectives defined[22], and were considered 0% eligible net of some CapEx and OpEx considered negligible.
In the Group's interpretation, these results exclusively reflect that the activities carried out by the Group do not appear to be prevalent and, in the light of the analyses carried out, eligible in relation to the economic activities currently included in the reference technical documentation linked to the Climate Change Mitigation and Climate Change Adaptation objectives as defined by the reference legislation. Further insights will be made and communicated in line with the progressive evolution of Regulation (EU) 2020/852, with particular reference to the additional delegated acts for the remaining environmental objectives.
For more details relating to the Group's environmental commitment, with particular reference to the science-based targets (SBTs) defined for carbon footprint reduction, please refer to section 4.2 "Climate change and emissions monitoring" of the NFS.

[21] The financial data included in this KPI are included in the consolidated operating costs shown in the 2021 Annual Report: Consolidated Financial Statements, notes 35 and 36.

[22] For the calculation of the KPIs reported above, the potential double counting in the allocation to the numerator of Turnover, CapEx and OpEx was avoided through the use of financial information, as well as accounted for in the Consolidated Financial Statements as at 31 December 2021. Moreover, each CapEx or OpEx identified has been linked to the primary economic activity included in the Climate Delegated Act and therefore each item has not been considered more than once.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Annexes

Breakdown of employees by employment contract, gender and geographic area

2021

No. of people	Temporary contracts			Permanent contracts		
	Men	Women	Total	Men	Women	Total
Parent company	10	21	31	368	514	882
Europe	17	34	51	100	177	277
North America	29	36	65	248	244	492
Central and South America	6	4	10	120	94	214
Asia Pacific	12	43	55	287	1,149	1,436
Japan	4	20	24	87	263	350
Total	**78**	**158**	**236**	**1,210**	**2,441**	**3,651**

Breakdown of employees by employment contract, gender and geographic area

2020

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

Breakdown of employees by professional category and gender

No. of people	2021			2020		
	Men	Women	Total	Men	Women	Total
Full time	1,221	2,338	3,559	1,149	2,282	3,431
Part time	67	261	328	108	316	424
Total	**1,288**	**2,599**	**3,887**	**1,257**	**2,598**	**3,855**

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

2021

No. of people	<30		30-50		>50		Total	
	Men	Women	Men	Women	Men	Women	Men	Women
Headquarter	21	83	301	486	135	151	457	720
Retail	230	393	504	1,279	97	207	831	1,879
Total	**251**	**476**	**805**	**1,765**	**232**	**358**	**1,288**	**2,599**

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

Percentage	2021			2020		
	Men	Women	Total	Men	Women	Total
Managers (of which top managers, middle managers and store managers)	98.3%	96.0%	96.9%	96.7%	97.0%	96.9%
White collars	95.7%	93.5%	94.1%	89.5%	90.6%	90.3%
Blue collars	99.4%	97.9%	98.9%	92.4%	94.9%	93.3%
Total	**96.8%**	**94.1%**	**95.0%**	**91.6%**	**92.0%**	**91.9%**

Incoming employees

2021[23]

No. of people	<30		30-50		>50		Total		Turnover	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Parent company	5	15	24	45	4	7	33	67	8.7%	12.5%
Europe	28	34	24	42	0	11	52	87	44.4%	41.2%
North America	50	48	54	44	10	10	114	102	41.2%	36.4%
Central and South America	7	12	21	22	1	0	29	34	23.0%	34.7%
Asia Pacific	82	192	76	226	3	13	161	431	53.8%	36.2%
Japan	3	8	13	31	0	5	16	44	17.6%	15.5%
Total	**175**	**309**	**212**	**410**	**18**	**46**	**405**	**765**	**31.4%**	**29.4%**

Outgoing employees

2021

No. of people	<30		30-50		>50		Total		Turnover	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Parent company	2	9	24	44	15	15	41	68	10.8%	12.7%
Europe	17	23	35	63	3	14	55	100	47.0%	47.4%
North America	30	33	39	41	14	16	83	90	30.0%	32.1%
Central and South America	8	4	17	14	1	0	26	18	20.6%	18.4%
Asia Pacific	78	149	73	259	2	17	153	425	51.2%	35.7%
Japan	0	11	13	45	3	7	16	63	17.6%	22.3%
Total	**135**	**229**	**201**	**466**	**38**	**69**	**374**	**764**	**29.0%**	**29.4%**

[23] It should be noted that, during 2021, following the merger by incorporation of Ferragamo Parfums S.p.A. into Salvatore Ferragamo S.p.A., part of the employees of Ferragamo Parfums S.p.A. were transferred into the Parent Company.

Incoming employees

2020

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

Outgoing employees

2020

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

Injuries (employees)

No. of cases	2021	2020
Injuries	38 (15 for men; 23 for women)[24]	36 (13 for men; 23 for women)
Work-related ill health	0	0

Health and safety indicators[25] - (employees)

2021

Rates	Parent company			Europe			North America		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Incidence rate	0.6	0.5	0.5	11.7	8.8	9.9	0.0	0.4	0.3
Severity rate	2.2	16.4	10.2	62.0	198.4	146.0	0.0	0.0	0.0
Rate for recordable work-related injuries	0.6	0.5	0.5	11.7	8.8	9.9	0.0	0.4	0.3
Rate for high-consequence work-related injuries (excluding fatalities)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Work-related ill health rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Rates	Central and South America			Asia Pacific			Japan		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Incidence rate	0.0	0.0	0.0	0.3	0.2	0.2	2.4	3.0	2.8
Severity rate	0.0	0.0	0.0	1.3	51.0	41.2	25.4	54.8	46.3
Rate for recordable work-related injuries	0.0	0.0	0.0	0.3	0.0	0.1	2.4	3.0	2.8
Rate for high-consequence work-related injuries (excluding fatalities)	0.0	0.0	0.0	0.0	0.2	0.1	0.0	0.0	0.0
Work-related ill health rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

[24] Of which 4 in Ferragamo S.p.A., 22 in Europe, 3 in Asia Pacific, 1 in North America and 8 in Japan. Only 2 of the 38 injuries recorded in 2021 were classified as "severe". Work-related injuries are considered severe if they result in death or injury from which the worker cannot recover, does not recover or cannot realistically be expected to recover fully and return to his pre-injury state of health within 6 months. The injuries that occurred in 2021 are mainly related to the normal course of business such as warehouse activities.

[25] The incidence rate is calculated as the ratio between the total number of injuries (including those classified as "severe") and the number of hours worked in the same period, multiplied by 200,000. The injury severity rate is calculated as the ratio of total days lost for work-related injuries and ill health cases to total working hours during the same period, multiplied by 200,000. The rate for recordable work-related injuries is calculated as the ratio of total recordable work-related injuries (net of injuries classified as "severe") to total working hours in the same period, multiplied by 200,000. The rate for work-related injuries with severe consequences is calculated as the ratio of total injuries with severe consequences (excluding deaths and recordable injuries) to total working hours in the same period, multiplied by 200,000.
The work-related ill health rate is calculated as the ratio of total work-related ill health cases to total working hours during the same period, multiplied by 200,000.
As part of the analysis carried out during 2021 in relation to the significance of data and information regarding other non-employee workers, especially agency staff, interns and consultants, the Group recorded an injury rate of 0.0 for a total of 58 workers present as at 31 December 2021 within the Italy and Europe scope, of whom 26 were men and 32 women. No injuries or fatalities were reported.

Health and safety indicators[25] - (employees)

2020

Rates	Parent company			Europe			North America		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Incidence rate	0.3	0.8	0.6	7.6	3.5	5.1	1.7	1.2	1.4
Severity rate	9.1	34.8	23.5	21.63	0.0	8.43	56.6	2.0	28.4
Rate for recordable work-related injuries	0.3	0.8	0.6	7.6	3.5	5.1	1.7	1.2	1.4
Rate for high-consequence work-related injuries (excluding fatalities)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Work-related ill health rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

Tax indicator - Country-by-country reporting (207-4)[26]

Europe

Size	2020	2019
Number of employees - average workforce	1,052	1,374
Tax data	**2020**	**2019**
Revenues from third parties *	295,972	424,739
Revenues from intra-group transactions *	444,072	647,465
Tangible assets other than cash and cash equivalents	369,829	430,421
Income tax paid in the year	11,460	11,032
Corporate income taxes accrued on profits/losses**	(715)	37,272

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

[26] Given the sensitivity and confidentiality of tax information, GRI indicator 207-4 is reported in aggregate form and no disclosure of pre-tax profit/loss is made.

NORTH, CENTRAL AND SOUTH AMERICA

Size	2020	2019
Number of employees - average workforce	632	760
Tax data	**2020**	**2019**
Revenues from third parties *	250,788	388,488
Revenues from intra-group transactions *	182,488	174,480
Tangible assets other than cash and cash equivalents	167,153	229,111
Income tax paid in the year	9,035	2,872
Corporate income taxes accrued on profits/losses**	7,618	3,019

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

ASIA PACIFIC

Size	2020	2019
Number of employees - average workforce	1,843	1,976
Tax data	**2020**	**2019**
Revenues from third parties *	479,915	613,622
Revenues from intra-group transactions *	145,368	171,093
Tangible assets other than cash and cash equivalents	153,204	207,818
Income tax paid in the year	10,618	9,888
Corporate income taxes accrued on profits/losses**	10,155	8,741

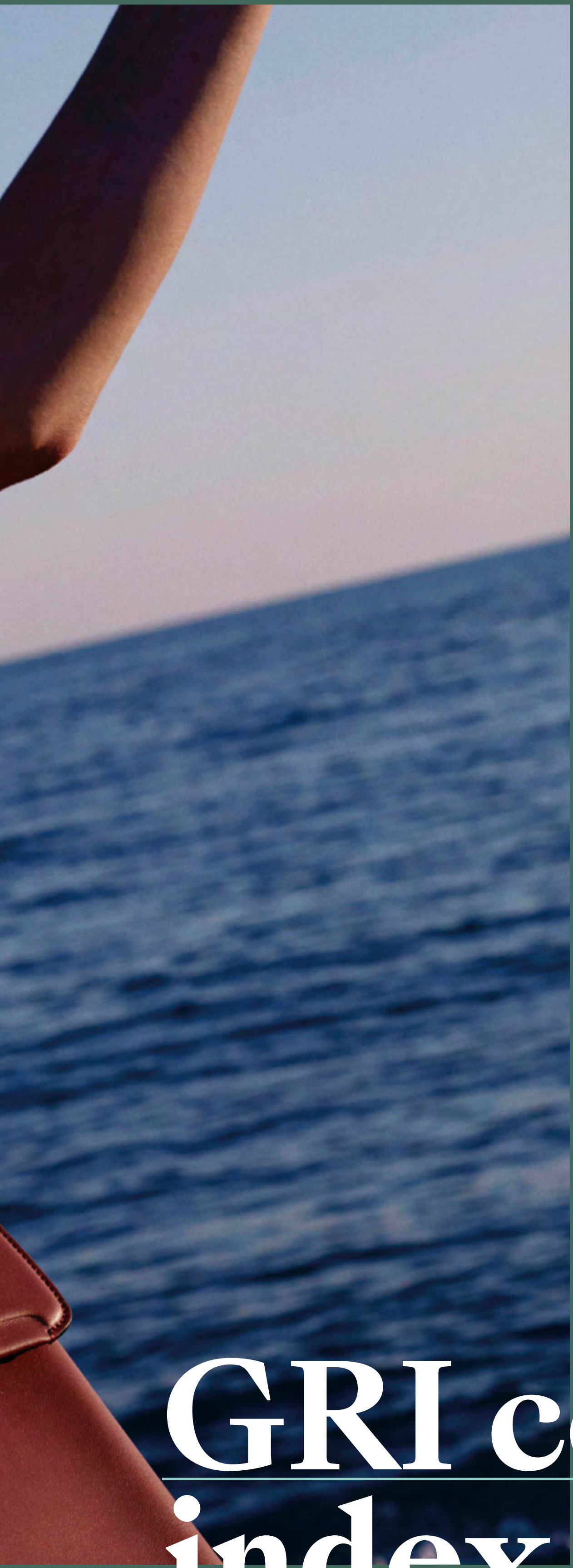
* Revenues include all positive income components, excluding dividends.
** Excluding deferred corporate income taxes and provisions for uncertain tax positions.

Boundary of the Group's material topics

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

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

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



GRI content index

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

CODES	INDICATOR	PAGES/NOTES/OMISSION
GRI 102: GENERAL DISCLOSURES		
Organizational profile (2016)		
GRI 102-1	Name of the organization	Annual Report, pag. 1 NFS, pp. 100-104
GRI 102-2	Activities, brands, products, and services	Annual Report, pp. 13; 16-26
GRI 102-3	Location of headquarters	Annual Report, pag. 1
GRI 102-4	Location of operations	Annual Report, pp. 13; 16-26
GRI 102-5	Ownership and legal form	Annual Report, pp. 1; 10-13 NFS, pp. 126-131
GRI 102-6	Markets served	Annual Report, pp. 1; 10-13
GRI 102-7	Scale of the organization	Annual Report, pp. 1; 10-13
GRI 102-8	Information on employees and other workers	NFS, pp. 134-137; 198-201
GRI 102-9	Supply chain	NFS, pp. 170-176
GRI 102-10	Significant changes to the organization's size, structure, ownership or supply chain in the reporting period	Annual Report, pp. 26; 66-67
GRI 102-11	Precautionary Principle or approach	Annual Report, pp. 76-80; 85-91 NFS, pp. 126-131
GRI 102-12	Externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses	NFS, pp. 108-110; 118-121; 126-131; 141; 154-155; 170-176
GRI 102-13	Membership of associations	NFS, pp. 108-110; 148-149; 184-187
Strategy (2016)		
GRI 102-14	Statement from senior decision-maker about the relevance of sustainability to the organization and its strategy for addressing sustainability	Annual Report, pp. 4-5 NFS, pg. 95
GRI 102-15	Key impacts, risks and opportunities	Annual Report, pp. 76-80; 85-91 NFS, pp. 126-131
Ethics and integrity (2016)		
GRI 102-16	Values, principles, standards, and norms of behavior	Annual Report, pp. 21-26 NFS, pp. 112-121; 126-131
GRI 102-17	Mechanisms for advice and concerns about ethics	Annual Report, pp. 76-80 NFS, pp. 126-131
Governance (2016)		
GRI 102-18	Governance structure	Annual Report, pp. 10-13; 73-76 NFS, pp. 126-131

CODES	INDICATOR	PAGES/NOTES/OMISSION
Stakeholder engagement (2016)		
GRI 102-40	List of stakeholder groups	NFS, pp. 112-117
GRI 102-41	Collective bargaining agreements	NFS, pp. 148-149
GRI 102-42	The basis for identifying and selecting stakeholders with whom to engage	NFS, pp. 112-117
GRI 102-43	Approach to stakeholder engagement	NFS, pp. 112-117
GRI 102-44	Key topics and concerns raised	NFS, pp. 112-117
Reporting practice (2016)		
GRI 102-45	Entities included in the Sustainability Report	NFS, pp. 100-104
GRI 102-46	Defining report content and topic boundaries	NFS, pp. 100-104; 112-117
GRI 102-47	List of material topics	NFS, pp. 112-117; 210-211
GRI 102-48	Restatements of information given in the previous Report	NFS, pp. 100-104
GRI 102-49	Significant changes from previous reporting periods in the list of material topics and topic boundaries	NFS, pp. 100-104; 112-117
GRI 102-50	Reporting period of the Sustainability Report	NFS, pp. 100-104
GRI 102-51	Date of most recent report	NFS, pp. 100-104
GRI 102-52	Reporting cycle	NFS, pp. 100-104
GRI 102-53	Contact point for questions regarding the Report	NFS, pp. 100-104
GRI 102-54	Claims of reporting in accordance with the GRI Standards	NFS, pp. 100-104
GRI 102-55	GRI content index	NFS, pp. 214-224
GRI 102-56	External assurance	NFS, pg. 228

CODES	INDICATOR	PAGES/NOTES/OMISSION
Material Topics		
ECONOMIC INDICATORS		
Economic Performance (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	Annual Report, pp. 14-17; 28-49; 85-92 NFS, pp. 122-125
GRI 103-3	Evaluation of the management approach	Annual Report, pp. 14-17; 28-49; 85-92 NFS, pp. 122-125
GRI 201-1	Direct economic value generated and distributed	NFS, pp. 122-125
GRI 201-4	Financial assistance received from government	In 2021, over 99,000 Euro were financed through the Fondimpresa and Fondirigenti inter-professional funds and through the Youth Guarantee Program of the Tuscany Region, compared to the over 33,000 Euro in 2020 relating solely to the Fondimpresa and Fondirigenti financing. For both years, the grants relate only to Salvatore Ferragamo S.p.A.
Taxes (2019)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	NFS, pg. 122-123
GRI 103-3	Evaluation of the management approach	NFS, pg. 122-123
GRI 207-1	Approach to tax	NFS, pg. 122-123
GRI 207-2	Tax governance, control and risk management	NFS, pg. 122-123
GRI 207-3	Stakeholder engagement and management of concerns related to tax	NFS, pg. 122-123
GRI 207-4	Country-by-country reporting[27]	NFS, pg. 205-207
Procurement Practices (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	Annual Report, pp. 21-26 NFS, pp. 170-176
GRI 103-3	Evaluation of the management approach	Annual Report, pp. 21-26 NFS, pp. 170-176
GRI 204-1	Proportion of spending on local suppliers	NFS, pp. 170-176

[27] For limitations, please refer to p. 205 of this document.

CODES	INDICATOR	PAGES/NOTES/OMISSION
Anti-Corruption (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	Annual Report, pp. 73-76 NFS, pp. 126-131
GRI 103-3	Evaluation of the management approach	Annual Report, pp. 73-76 NFS, pp. 126-131
GRI 205-3	Confirmed incidents of corruption and actions taken	During 2021 and 2020 there were no incidents of corruption
Anti-Competitive Behavior (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	Annual Report, pp. 73-76 NFS, pp. 126-131
GRI 103-3	Evaluation of the management approach	Annual Report, pp. 73-76 NFS, pp. 126-131
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	During 2021 and 2020 there were no legal actions for anti-competitive behavior, anti-trust and monopoly practices.
ENVIRONMENTAL INDICATORS		
Energy (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	NFS, pp. 108-110; 152-159
GRI 103-3	Evaluation of the management approach	NFS, pp. 108-110; 152-159
GRI 302-1	Energy consumption within the organization[28]	NFS, pp. 156-159
Water and Effluents (2018)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	NFS, pp. 156-159
GRI 103-3	Evaluation of the management approach	NFS, pp. 156-159
GRI 303-1	Interactions with water as a shared resource	NFS, pp. 156-159
GRI 303-2	Management of water discharge-related impacts	NFS, pp. 156-159
GRI 303-3	Water withdrawal[29]	NFS, pp. 156-159 With reference to water consumption, considering the Group's activity and the fact that production is outsourced, no withdrawals are made from water-stressed areas. The breakdown for freshwater and other types of water is not available, as it is considered not significant.

[28] For limitations, please refer to pp. 156-159 of this document.
[29] The scope of the information reported in relation to water consumption is limited to the Group's offices.

CODES	INDICATOR	PAGES/NOTES/OMISSION
Biodiversity (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	NFS, pp. 108-110; 152-155
GRI 103-3	Evaluation of the management approach	NFS, pp. 108-110; 152-155
GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	The Salvatore Ferragamo Group does not own or manage plants or operational sites that are located near protected areas or include protected areas or areas of high biodiversity outside protected areas. Therefore, indicators 304-2, 304-3, 304-4, 306-5 are not applicable.
Emissions (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	Annual Report, pp. 85-91 NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	NFS, pp. 108-110; 152-163
GRI 103-3	Evaluation of the management approach	NFS, pp. 108-110; 152-163
GRI 305-1	Direct (Scope 1) GHG emissions	NFS, pp. 160-163
GRI 305-2	Energy indirect (Scope 2) GHG emissions	NFS, pp. 160-163
GRI 305-3	Other indirect (Scope 3) GHG emissions[30]	NFS, pp. 160-163
GRI 305-6	Emissions of ozone-depleting substances (ODS)	Considering the nature of its business, the Salvatore Ferragamo Group has not identified other significant emissions of ozone-depleting substances in 2020 and 2021.
GRI 305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Considering the nature of its business, the Salvatore Ferragamo Group has not identified significant emissions of NOx, SOx, or other gases in 2020 and 2021.

[30] The reporting of SCOPE 3 emissions in 2021 is related to the categories "Business Travel", "Upstream & Downstream Transportation" and "Purchased Goods and services".

CODES	INDICATOR	PAGES/NOTES/OMISSION
Waste (2020)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	NFS, pp. 156-159
GRI 103-3	Evaluation of the management approach	NFS, pp. 156-159
GRI 306-1	Waste generation and significant waste-related impacts	NFS, pp. 156-159
GRI 306-2	Management of significant waste-related impacts	NFS, pp. 156-159
GRI 306-3	Waste generated[31]	NFS, pp. 156-159
GRI 306-4	Waste diverted from disposal[31]	NFS, pp. 156-159
GRI 306-5	Waste directed to disposal[31]	NFS, pp. 156-159
Environmental Compliance (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	Annual Report, pp. 21-26 NFS, pp. 126-131; 152-163
GRI 103-3	Evaluation of the management approach	Annual Report, pp. 21-26 NFS, pp. 126-131; 152-163
GRI 307-1	Non-compliance with environmental laws and regulations	During 2021 and 2020 there were no cases of non-compliance with environmental laws and regulations.
SOCIAL INDICATORS		
Employment (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	NFS, pp. 134-149
GRI 103-3	Evaluation of the management approach	NFS, pp. 134-149
GRI 401-1	New employee hires and employee turnover by age group, gender and region	NFS, pp. 134-137; 198-201
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	NFS, pg. 141 Benefits for full-time employees of the Group vary according to local regulations and practices.

[31] The scope of the information reported in relation to waste production and management is limited to the Group's offices.

CODES	INDICATOR	PAGES/NOTES/OMISSION
Occupational health and safety[32] (2018)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	Annual Report, pp. 69; 87 NFS, pp. 138-141
GRI 103-3	Evaluation of the management approach	Annual Report, pp. 69; 87 NFS, pp. 138-141
GRI 403-1	Occupational health and safety management system	Annual Report, pp. 69; 87 NFS, pp. 138-141
GRI 403-2	Hazard identification, risk assessment, and incident investigation	Annual Report, pp. 69; 87 NFS, pp. 138-141
GRI 403-3	Occupational health services	NFS, pp. 138-141
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	NFS, pp. 138-141
GRI 403-5	Worker training on occupational health and safety	NFS, pp. 138-141
GRI 403-6	Promotion of worker health	Annual Report, pp. 69; 87 NFS, pp. 138-141
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Annual Report, pp. 69; 87 NFS, pp. 138-141
GRI 403-8	Workers covered by an occupational health and safety management system	The ISO 45001 management system covers all Salvatore Ferragamo S.p.A. employees.
GRI 403-9	Work-related injuries	NFS, pp. 138-141; 204-206
GRI 403-10	Work-related ill health	NFS, pp. 138-141; 204-206
Training and Development (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	NFS, pp. 142-147
GRI 103-3	Evaluation of the management approach	NFS, pp. 142-147
GRI 404-1	Average hours of training per year per employee[33]	NFS, pg. 143
GRI 404-3	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	NFS, pp. 146-147; 201

[32] Disclosures relating to GRI standards 403-1 to 403-8 are only available for Italy. However, at corporate level, the Company has a dedicated Global Health and Safety, Energy and Environmental Efficiency (HSE) function, which is responsible for ensuring a safe and regulatory compliant working environment. The team is responsible for defining health and safety guidelines for the Italian scope and then sharing them with the foreign Regions. It also manages monitoring activities and maintains relations with the Italian workers' safety representatives.
Data for standards 403-9 and 403-10, concerning non-employees, is only available for Italy and Europe.

[33] The figure for the average hours of training for the Salvatore Ferragamo Group is only available for the year 2021, as in 2020 the figure for the average training hours per capita was available for Salvatore Ferragamo S.p.A. only. Moreover, for the year 2021, the figure does not include training hours related to Health and Safety.

CODES	INDICATOR	PAGES/NOTES/OMISSION
Diversity and Equal Opportunity (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	NFS, pp. 126-131; 148-149
GRI 103-3	Evaluation of the management approach	NFS, pp. 126-131; 148-149
GRI 405-1	Diversity of governance bodies and employees	Annual Report, pg. 75 NFS, pp. 136-137; 148-149; 200-201
Non-Discrimination (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	NFS, pp. 126-131; 148-149
GRI 103-3	Evaluation of the management approach	NFS, pp. 126-131; 148-149
GRI 406-1	Incidents of discrimination and corrective actions taken	NFS, pp. 148-149
Child Labor (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	NFS, pp. 126-131; 175-176
GRI 103-3	Evaluation of the management approach	NFS, pp. 126-131; 175-176
GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	NFS, pp. 126-131; 175-176
Forced or Compulsory Labor (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	NFS, pp. 126-131; 175-176
GRI 103-3	Evaluation of the management approach	NFS, pp. 126-131; 175-176
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	NFS, pp. 126-131; 175-176
Human Rights Assessment (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	NFS, pp. 126-131; 175-176
GRI 103-3	Evaluation of the management approach	NFS, pp. 126-131; 175-176
GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	NFS, pp. 126-131; 175-176
GRI 412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	100% of suppliers and contract manufacturers are required to sign and comply with the principles contained in the Suppliers' Code of Conduct and the Code of Ethics, which also cover the protection of human rights.

CODES	INDICATOR	PAGES/NOTES/OMISSION
Local Communities (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	NFS, pp. 124-125; 184-191
GRI 103-3	Evaluation of the management approach	NFS, pp. 124-125; 184-191
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	NFS, pp. 184-187 As can be seen from the many activities that the Group implements every year, the support and development of local communities are key objectives: as evidence of this commitment, it should be noted that over the years the Group has always endeavored to limit the risk of generating actual or potential negative impacts on the community.
Supplier Social Assessment (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	NFS, pp. 170-176
GRI 103-3	Evaluation of the management approach	NFS, pp. 170-176
GRI 414-2	Negative social impacts in the supply chain and actions taken	NFS, pp. 175-176
Customer Health and Safety (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	Annual Report, pp. 21-26 NFS, pp. 126-131; 170-183
GRI 103-3	Evaluation of the management approach	Annual Report, pp. 21-26 NFS, pp. 126-131; 170-183
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	During 2021 and 2020 there were no incidents of non-compliance with regulations on health and safety of products and services.
Marketing and labeling (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	Annual Report, pp. 21-26 NFS, pp. 126-131; 170-183
GRI 103-3	Evaluation of the management approach	Annual Report, pp. 21-26 NFS, pp. 126-131; 170-183
GRI 417-3	Incidents of non-compliance concerning marketing communications	During 2021 and 2020, there were no incidents of non-compliance concerning marketing communications.

CODES	INDICATOR	PAGES/NOTES/OMISSION
Customer Privacy (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	NFS, pp. 126-131; 178-183
GRI 103-3	Evaluation of the management approach	NFS, pp.126-131; 178-183
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	During 2021, the Group received no substantiated complaints concerning breaches of customer privacy and losses of customer data
Socioeconomic Compliance (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	NFS, pp. 126-131; 178-183
GRI 103-3	Evaluation of the management approach	NFS, pp. 126-131; 178-183
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	During 2021, the Group received no reports of non-compliance with laws and regulations in the social and economic area
Material Topic: Animal Welfare		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	NFS, pp. 110; 152-155; 170-176
GRI 103-3	Evaluation of the management approach	NFS, pp. 110; 152-155; 170-176
Material Topic: Responsible innovation and circular economy		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	NFS, pp. 110; 152-155
GRI 103-3	Evaluation of the management approach	NFS, pp. 110; 152-155
Material Topic: Risk management system		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pp. 112-117; 210-211
GRI 103-2	The management approach and its components	Annual Report, pp. 73-76; 85-91 NFS, pp. 126-131
GRI 103-3	Evaluation of the management approach	Annual Report, pp. 73-76; 85-91 NFS, pp. 126-131

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

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

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

Independent Auditor's Report

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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

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

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

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2021 consolidated non-financial statement of the Salvatore Ferragamo Group (the "group") prepared in accordance with article 4 of the decree, presented in the specific section of the directors' report and approved by the board of directors on 8 March 2022 (the "NFS").

Our procedures did not cover the information set out in the "EU taxonomy" section of the NFS required by article 8 of Regulation (EU) 852 of 18 June 2020.

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

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

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

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

The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the group's policies and the identification and management of the risks generated or borne.

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

Auditors' independence and quality control

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

Auditors' responsibility

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

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

Specifically, we carried out the following procedures:

1. Analysing the material aspects based on the group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.
2. Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.
3. Comparing the financial disclosures presented in the NFS with those included in the group's consolidated financial statements.
4. Gaining an understanding of the following:
   - the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
   - the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
   - the main risks generated or borne in connection with the aspects set out in article 3 of the decree.

   Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5.a).
5. Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

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

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

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2021 consolidated non-financial statement of the Salvatore Ferragamo Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.
Our conclusion does not extend to the information set out in the "EU taxonomy" section of the NFS required by article 8 of Regulation (EU) 852 of 18 June 2020.

Florence, 21 March 2022

KPMG S.p.A.

(signed on the original)

Riccardo Cecchi
Director

Consolidated Financial Statements

as at 31 December 2021

Consolidated Financial Statements as at 31 December 2021

Financial Statements

Consolidated Statement of Financial Position – Assets

(In thousands of Euro)	Notes	31 December 2021	of which with related parties	31 December 2020	of which with related parties
NON CURRENT ASSETS					
Property, plant and equipment	7	186,854		183,121	
Investment property	8	30,223		31,824	
Goodwill	9	6,679		6,679	
Right-of-use assets	10	500,047	97,959	475,240	99,070
Intangible assets with a finite useful life	11	33,423		38,891	
Other non current assets	12	5,732		2,518	
Other non current financial assets	13	15,659	2,987	15,574	4,594
Deferred tax assets	39	105,468		119,656	
TOTAL NON CURRENT ASSETS		**884,085**	**100,946**	**873,503**	**103,664**
CURRENT ASSETS					
Inventories	14	274,566		341,636	
Right of return assets	15	5,224		4,545	
Trade receivables	16	112,670	44	113,909	336
Tax receivables	17	27,512		15,974	
Other current assets	18	32,606	2,569	35,944	2,690
Other current financial assets	19	596		566	
Cash and cash equivalents	20	511,796		327,880	
TOTAL CURRENT ASSETS		**964,970**	**2,613**	**840,454**	**3,026**
TOTAL ASSETS		**1,849,055**	**103,559**	**1,713,957**	**106,690**

Consolidated Statement of Financial Position – Liabilities and Shareholders' Equity

(In thousands of Euro)	Notes	31 December 2021	of which with related parties	31 December 2020	of which with related parties
SHAREHOLDERS' EQUITY					
GROUP SHAREHOLDERS' EQUITY					
Share capital	21	16,879		16,879	
Reserves	21	668,787		743,100	
Net profit/(loss) – Group		78,647		(66,397)	
TOTAL GROUP SHAREHOLDERS' EQUITY		**764,313**		**693,582**	
MINORITY INTERESTS					
Share capital and reserves – minority interests		19,076		21,413	
Net profit/(loss) – minority interests		2,490		(5,299)	
TOTAL MINORITY INTERESTS		**21,566**		**16,114**	
TOTAL SHAREHOLDERS' EQUITY		**785,879**		**709,696**	
NON CURRENT LIABILITIES					
Non current interest-bearing loans & borrowings	22	63,516		129,302	
Provisions for risks and charges	23	20,732		14,401	
Employee benefit liabilities	24	8,970		11,867	
Other non current liabilities	25	15,456	-	12,564	-
Non current lease liabilities	26	487,230	88,034	464,400	89,138
Deferred tax liabilities	39	3,380		6,943	
TOTAL NON CURRENT LIABILITIES		**599,284**	**88,034**	**639,477**	**89,138**
CURRENT LIABILITIES					
Trade payables	27	183,792	260	136,399	624
Refund liabilities	28	9,310		9,139	
Interest-bearing loans & borrowings	22	75,604		56,698	
Tax payables	29	25,732		25,974	
Other current liabilities	30	58,929	1,869	29,362	1,347
Current lease liabilities	26	110,012	15,956	103,509	14,155
Other current financial liabilities	31	513		3,703	
TOTAL CURRENT LIABILITIES		**463,892**	**18,085**	**364,784**	**16,126**
TOTAL LIABILITIES		**1,063,176**	**106,119**	**1,004,261**	**105,264**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,849,055**	**106,119**	**1,713,957**	**105,264**

Consolidated Income Statement

(In thousands of Euro)	Notes	2021	of which with related parties	2020 Restated*	of which with related parties
Revenues from contracts with customers	33	1,133,159	180	874,259	139
Rental income investment properties	34	2,361		2,253	
Revenues		**1,135,520**		**876,512**	
Cost of goods sold	35-36	(354,576)	(49)	(325,198)	
Gross profit		**780,944**		**551,314**	
Style, product development and logistics costs	35-36	(40,908)	(891)	(34,712)	(521)
Sales & distribution costs	35-36	(407,844)	(17,257)	(406,981)	(20,733)
Marketing & communication costs	35-36	(66,379)	(97)	(50,533)	(43)
General and administrative costs	35-36	(126,304)	(9,449)	(121,726)	(5,883)
Other operating costs	35-36	(22,714)	(145)	(22,698)	(156)
Other income and revenues	37	26,685	4	22,571	11
Operating profit/(loss)		**143,480**		**(62,765)**	
Financial charges	38	(50,514)	(3,061)	(79,771)	(3,454)
Financial income	38	29,652	-	61,629	-
Profit before taxes		**122,618**		**(80,907)**	
Income Taxes	39	(36,289)		8,129	
Profit/(loss) from continuing operations		**86,329**		**(72,778)**	
Profit/(loss) from discontinued operation, net of tax	6	(5,192)		1,082	
Net profit/(loss) for the period		**81,137**		**(71,696)**	
Net profit/(loss) – Group		78,647		(66,397)	-
Net profit/(loss) – minority interests		2,490		(5,299)	

(In Euro)	Notes	2021	2020 Restated*
Basic earnings/(loss) per share – ordinary shares	40	0.467	(0.394)
Diluted earnings/(loss) per share – ordinary shares	40	0.467	(0.394)
Basic earnings/(loss) per share from continuing operations – ordinary shares	40	0.497	(0.400)
Diluted earnings/(loss) per share from continuing operations– ordinary shares	40	0.497	(0.400)

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

Consolidated Statement of Comprehensive Income

(In thousands of Euro)	Notes	2021	2020 Restated*
Net profit/(loss) for the period (A)		**81,137**	**(71,696)**
Other gains / (losses) that will be subsequently reclassified to net profit/(loss) for the period			
- Currency translation differences of foreign operations	21	18,177	(11,640)
- Net gain/(Loss) from cash flow hedge	3	(15,166)	7,398
- Tax consequences on components that will be subsequently reclassified to net profit/(loss) for the period		3,639	(1,776)
Total other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)		**6,650**	**(6,018)**
Other gain / (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	24	1,450	(289)
- Tax consequences on components that will not be subsequently reclassified to net profit/(loss) for the period		(298)	116
Total other gains / (losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes (B2)		**1,152**	**(173)**
Total other gains / (losses) net of taxes (B1+B2 = B) from continuing operations		**7,802**	**(6,191)**
Total other gains / (losses) net of taxes (C) from discontinued operation		**-**	**-**
Total comprehensive income for the period, net of taxes (A+ B+ C)		**88,939**	**(77,887)**
Group		83,487	(71,629)
Minority interests		5,452	(6,258)

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

Consolidated Statement of Cash Flows

(In thousands of Euro)	Notes	2021	of which with related parties	2020	of which with related parties
NET PROFIT/(LOSS) FOR THE PERIOD		**81,137**		**(71,696)**	
Adjustments to reconcile net profit (loss) to net cash from (used in) operating activities:					
Amortization, depreciation and write-downs of tangible and intangible assets, investment property and right-of-use assets	7-8-10-11	163,172	17,021	221,767	24,712
Income Taxes	39	36,451		(8,129)	
Provision for employee benefit plans	24	681		752	
Allocation to/(use of) the provision for obsolete inventory	14	(4,488)		28,654	
Losses and provision for bad debt	16	673		989	
Losses/(gains) on disposal of tangible/intangible assets		707		1,469	
Interest expense and interest expense on lease liabilities	26	15,368	3,061	17,563	3,454
Interest income		(841)	-	(8,794)	-
Other non-monetary items		(5,917)	(529)	(18,327)	(4,202)
Changes in operating assets and liabilities:					
Trade receivables	16	9,952	292	25,970	(244)
Inventories	14	71,618		3,269	
Trade payables	27	45,228	(364)	(60,249)	201
Other receivables and tax payables	17-29	(9,407)		(2,150)	
Employee benefits payments	24	(1,795)		(902)	
Other assets and liabilities		12,231	2,127	(8,048)	(367)
Other – net		(1,531)		(1,615)	
Income taxes paid		(22,709)	123	(22,178)	(8,580)
Interest expense and interest expense on lease liabilities paid	26	(15,240)	(3,085)	(18,808)	(3,525)
Interest income received		841	-	8,794	-
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**376,131**	**18,646**	**88,331**	**11,449**
Cash flow from investing activities:					
Purchase of tangible assets	7-8	(36,800)	(65)	(23,701)	
Purchase of intangible assets	11	(7,689)		(6,109)	
Proceeds from the sale of tangible and intangible assets		98		-	
Proceeds from the sale of the discontinued operation, net of cash sold	6	17,128		-	
Acquisition of Arts S.r.l. and Aura 1 S.r.l. net of cash acquired	5	(3,629)		(7,581)	
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**(30,892)**	**(65)**	**(37,391)**	**-**
Cash flow from financing activities:					
Net change in financial receivables	20	291		(286)	
Net change in financial payables	20	(47,152)		141,122	
Repayment of lease liabilities	20-26	(100,669)	(14,479)	(93,573)	(17,681)
Treasury share repurchase	21	(12,756)		-	
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**(160,286)**	**(14,479)**	**47,263**	**(17,681)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**184,953**		**98,203**	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**327,880**		**222,332**	
Increase/(decrease) in cash and cash equivalents		184,953		98,203	
Effect of exchange rate translation differences		(1,037)		7,345	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**20**	**511,796**		**327,880**	

Statement of changes in consolidated shareholders' equity

Note 21

(In thousands of Euro)	Share capital	Treasury share reserve	Share capital contributions	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Other reserves	Effect IAS 19 Equity	Net profit/ (loss) for the period	Group shareholders' equity	Minority interests	Total shareholders' equity
As at 01.01.2021	**16,879**	**(2,776)**	**2,995**	**4,188**	**628,530**	**5,123**	**(25,368)**	**129,770**	**4,322**	**(3,684)**	**(66,397)**	**693,582**	**16,114**	**709,696**
Allocation of results	-	-	-	-	(34,070)	-	-	(32,327)	-	-	66,397	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	78,647	78,647	2,490	81,137
Other comprehensive income/(loss)	-	-	-	-	-	(11,527)	14,950	346	-	1,071	-	4,840	2,962	7,802
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**-**	**(11,527)**	**14,950**	**346**	**-**	**1,071**	**78,647**	**83,487**	**5,452**	**88,939**
Treasury share repurchase	-	(12,756)	-	-	-	-	-	-	-	-	-	(12,756)	-	(12,756)
Reclassifications	-	-	-	-	60	-	-	887	(947)	-	-	-	-	-
As at 31.12.2021	**16,879**	**(15,532)**	**2,995**	**4,188**	**594,520**	**(6,404)**	**(10,418)**	**98,676**	**3,375**	**(2,613)**	**78,647**	**764,313**	**21,566**	**785,879**

Note 21

(In thousands of Euro)	Share capital	Treasury share reserve	Share capital contributions	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Other reserves	Effect IAS 19 Equity	Net profit/ (loss) for the period	Group shareholders' equity	Minority interests	Total shareholders' equity
As at 01.01.2020	**16,879**	**(2,776)**	**2,995**	**4,188**	**504,319**	**(499)**	**(16,002)**	**166,510**	**4,164**	**(3,412)**	**87,281**	**763,647**	**21,618**	**785,265**
Allocation of results	-	-	-	-	124,211	-	-	(36,930)	-	-	(87,281)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	(66,397)	(66,397)	(5,299)	(71,696)
Other comprehensive income/(loss)	-	-	-	-	-	5,622	(9,366)	(1,267)	-	(221)	-	(5,232)	(959)	(6,191)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**5,622**	**(9,366)**	**(1,267)**	**-**	**(221)**	**(66,397)**	**(71,629)**	**(6,258)**	**(77,887)**
Purchase of min. interests in companies consolidated on a line-by-line basis and accounting of options on min. interests	-	-	-	-	-	-	-	1,457	78	(51)	-	1,484	754	2,238
Stock Grant Reserve	-	-	-	-	-	-	-	-	80	-	-	80	-	80
As at 31.12.2020	**16,879**	**(2,776)**	**2,995**	**4,188**	**628,530**	**5,123**	**(25,368)**	**129,770**	**4,322**	**(3,684)**	**(66,397)**	**693,582**	**16,114**	**709,696**

Explanatory Notes to the Consolidated Financial Statements

1. Corporate information

Salvatore Ferragamo S.p.A. is incorporated in Italy, with registered office in via Tornabuoni 2 Florence, as a joint-stock company under Italian law and adopts a conventional administration and control model, with the Shareholders' Meeting, the Board of Directors, and the Board of Statutory Auditors. The Company's Shares are traded on Euronext Milan (formerly known as Mercato Telematico Azionario), organized and operated by Borsa Italiana S.p.A..

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

The consolidated financial statements for the year ended 31 December 2021 were approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 8 March 2022.

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

1.1 Management and coordination

Pursuant to art 2497 ff. of the Italian Civil Code, Salvatore Ferragamo S.p.A. is subject to management and coordination by Ferragamo Finanziaria S.p.A., whose consolidated financial statements are available at the registered office in Florence, Via Tornabuoni, 2.
In compliance with the provisions of art. 2497-bis, paragraph 4 of the Italian Civil Code, the key data from the financial statements of the Holding company Ferragamo Finanziaria S.p.A. as at 31 December 2020 and 2019 is given below.

Ferragamo Finanziaria S.p.A.

(In Euro)	31 December 2020	31 December 2019
STATEMENT OF FINANCIAL POSITION		
ASSETS		
B) Fixed assets	170,394,472	169,342,251
C) Current assets	47,129,668	64,709,800
D) Accruals and Deferrals	20,122	703
TOTAL ASSETS	**217,544,262**	**234,052,754**
LIABILITIES AND SHAREHOLDERS' EQUITY		
A) Shareholders' equity		
- Share capital	49,749,960	49,749,960
Reserves	165,265,596	146,489,807
Profit (Loss) for the year	(1,669,694)	27,864,724
B) Provisions for risks and charges	22,272	-
D) Payables	3,787,573	9,872,739
E) Accruals and Deferrals	388,555	75,524
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**217,544,262**	**234,052,754**
INCOME STATEMENT		
A) Value of production	230,277	126,413
B) Costs of production	(2,866,086)	(2,244,396)
Difference between value and costs of production	**(2,635,809)**	**(2,117,983)**
C) Financial income and charges	12,326	31,158,341
Profit before taxes	**(2,623,483)**	**29,040,358**
Income taxes for the year, current and deferred	953,789	(1,175,634)
Profit (loss) for the year	**(1,669,694)**	**27,864,724**

2. Basis of presentation

Statement of compliance with IFRS

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

Contents and structure of the consolidated financial statements

All amounts are expressed in Euro and are expressed in thousands of Euro, unless otherwise indicated.

The consolidated statement of financial position distinguishes between current and non current assets and liabilities, where:

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

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

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

For comparative purposes, the consolidated financial statements show the comparison with the consolidated statement of financial position as at 31 December 2020 and the consolidated income statement for the year 2020, which were restated following the classification of the business associated with the fragrances product category as discontinued operation, as described in note 6 Discontinued operation below.

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 2021 are the same as those adopted in previous years with the exception of international accounting standards newly adopted in 2021.

Discretionary valuations and significant accounting estimates

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

The main estimated data refer to:

- provisions for obsolete inventory of raw materials, accessories and finished products; since the Group's products are subject to market trends and changes in fashion trends, product inventories at the end of the season are subject to impairment. Specifically, the provision for obsolete inventory of finished products reflects management's estimate of the expected impairment losses on the products of the collections of previous seasons, considering the ability to sell them through the Group's various distribution channels. This assumption may vary across the different geographic areas in which the Group operates based on the knowledge of the individual market's characteristics concerning the local ability to absorb sales of products from previous seasons. Generally, impairment assumptions involve percentages of impairment that become greater the older the collections are, so as to reflect the decline in selling prices in secondary channels (mainly outlets) on the one hand, and on the other hand, the decrease in the probability of selling them as time goes by. This percentage is based on both a statistical analysis of the change in inventory age and an assessment of the consistency in the use of percentages over time. In case of changes in available information, the percentages are reassessed and adjusted as needed. The provision for obsolete raw materials reflects management's estimates of the decline in the probability they will be used based on the calculation of slow-moving raw materials;;
- provision for bad debt relating to wholesale sales, which is linked to the solvency and standing of customers with whom the company has well-established and consolidated relations. The Groups uses a matrix to calculate Expected Credit Losses (ECLs) on trade receivables. The provisioning rates are based on the days past due for each customer category grouped in the different segments that present similar historical loss experiences (for instance, by geographic area, product type, customer type, rating, and guarantees). The matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (for example, country risk) are expected to deteriorate over the next year, which can lead to an increased number of defaults in the country concerned, the historical default rates are adjusted accordingly. At every reporting date, the Group updates historical observed default rates and analyzes changes in forward-looking estimates. The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and in forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. For more details on the analysis of credit risks, please refer to notes 3 and 16;
- provisions for risks and charges, specifically the costs for the contractual commitment to renovate in the future leased properties and costs for ongoing or foreseeable disputes;
- right of return to adjust revenues from contracts with customers, where envisaged under contractual terms and conditions or customary business practices for selling goods. The Group has concluded that the expected value method is the most appropriate to estimate the amount of variable consideration on sales of goods with rights of return, considering the large number of contracts with similar characteristics;
- useful life of property, plant and equipment, intangible assets with a finite useful life and investment property, as well as ensuring that development costs meet the recognition and measurement requirements for intangible assets;
- employee benefits, which are measured using actuarial assumptions; for the main actuarial assumptions, reference should be made to note 24;
- deferred tax assets, which are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences or any tax losses can be utilized. In this regard, the Group's management estimates the likely timing and amount of future taxable profit;
- fair value of financial instruments, chief among them derivative instruments, which the Groups uses extensively to hedge exchange rate risk; for details about the assumptions underlying the measurement of fair value, reference should be made to notes 3 and 32;
- fair value of share-based payment plans, settled in either cash or shares, that the Parent company uses to provide incentives to the Group's management, if any;

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

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

- Lease term: the identification of the lease term is a very significant issue, as the form, regulations, and business practices related to property lease agreements vary significantly from one jurisdiction to another, and assessing the impact on the estimated lease term of the options to renew the lease at the end of the non-cancellable period requires using assumptions. The IFRS Interpretation Committee clarified that, for the purposes of identifying the enforceable period, a lessee shall consider the contractual moment when both parties may exercise their right to terminate the contract without incurring penalties that are not immaterial; the concept of penalty is not to be interpreted in a strictly contractual sense, but shall rather be viewed considering all the economics of the contract. The Group has considered these conclusions in identifying the lease term. In defining the lease term, the Group considered whether either the lessee or lessor, or both, have renewal and termination options, respectively. When renewal options exercisable by both parties to the agreement exist, the Group considered whether there are significant economic incentives to refuse the renewal request, in accordance with paragraph B34 of IFRS 16. When there are options exercisable by only one of the two parties, the Group considered paragraph B35 of IFRS 16. Applying the above, considering the specifics facts and circumstances as well as the estimate of whether it will be reasonably certain that the option will be exercised, resulted in the following:
  - for annual leases that are automatically renewed except in the event of termination, the Group considered an average term of five years based on historical evidence;
  - in the other cases, if only the Group can exercise the option, we considered a lease term until the end of the second renewal term, based on historical evidence and the fact that a renewal beyond the second term could not be considered reasonably certain. After the lease commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the Group and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.
- Definition of the discount rate: as most leases entered into by the Group do not contain an implicit interest rate, the Group calculated an Incremental Borrowing Rate (IBR). To determine the IBR it should use to discount future lease payments, the Group identified each country as a portfolio of leases with similar characteristics and determined the relevant IBR as the interest rate of a risk-free instrument in the country in which the lease was entered into, based on the different lease terms, increased by the Group's Credit spread.

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

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

The book value of Property, plant and equipment, Investment property, Intangible assets with a finite useful life, and Right-of-use assets is subject to impairment testing (events or changed situations suggesting that the book value cannot be recovered) when there are indicators of impairment which require an immediate assessment of or when events have occurred which require the procedure to be repeated. Impairment exists when the book value of an asset or cash flow generating unit exceeds its recoverable value, which is the higher of its fair value less the costs of sale and its value in use. The calculation of the fair value less the costs of sale is based on the data available from transactions between free and independent parties involving similar assets or observable market prices, less the extra costs relating to the disposal of the asset. The value in use is calculated based on discounted cash flow models using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset.

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

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

Goodwill is tested for impairment at least once a year (as at 31 December) or more often, when circumstances indicate that the carrying amount may be subject to impairment.

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

Climate change impact assessment

The impact of climate-related matters on the Group's financial statements is currently not material. The Group will assess whether and how the introduction of emission-reduction regulations could increase production costs and, should they have a material impact, it will include such assumptions in its estimates.

Disclosure on impairment

Concerning the identification of indicators of potential impairment losses as at 31 December 2021 (so-called trigger events), please note that in 2021, although the pandemic continues affecting the global economic outlook, the available forecasts regarding scenarios in the foreseeable future are consistent with the assumptions used in preparing the impairment tests for the Group's consolidated financial statements as at 31 December 2020. Therefore, the Group did not identify any indicators of potential impairment losses as at 31 December 2021 (so-called trigger events), in other than the impairment losses already recognized in 2020.

Considering the lingering uncertainty over the economic scenario in which the Group operates, which is still affected by the Covid-19 pandemic, please note that, concerning the assets tested for impairment as at 31 December 2020 and on which the Group had recognized an impairment loss, in 2021 the Group decided not to calculate any reversal.

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 term of the asset's lease contract

The residual value of the asset, its useful life, and the depreciation methods applied are reviewed at the end of each year and adjusted on a prospective basis if necessary.

Should significant parts of these tangible assets have different useful lives, these components are accounted for separately. Land, whether it is free of construction or attached to buildings, is recorded separately and is not depreciated since it has an unlimited useful life.

The book value of property, plant and equipment is subject to review to record any impairment, should events or changed situations indicate that the book value cannot be recovered. If there is an indication of impairment and, should the book value exceed the presumed realizable value, assets are written down to reflect their realizable value. The realizable value of property, plant and equipment is the higher of the net sale price and the value in use.

In defining the value in use, the expected future cash flows are discounted using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset. The realizable value of an asset which does not generate broadly independent cash flows is determined in relation to the cash flow generating unit to which this asset belongs. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is restored should the reasons for it no longer exist.

The carrying amount of an item of property, plant and equipment and each initially recognized significant component is derecognized on disposal (i.e. on the date the buyer obtains control over it) or when no future economic benefits are expected from its use or disposal. The gain/loss arising from the derecognition of the asset (calculated as the difference between the net carrying amount of the asset and the consideration received) is included in profit or loss when the item is derecognized.

Investment property
Tangible assets held for income purposes and not for instrumental use are shown in a specific item called "Investment property", in accordance with IAS 40, and are recognized at cost. The assets which fall under this category are represented by land and/or buildings (or parts of buildings) held by the owner or lessee under a financial or operating lease in order to lease them out.

These types of property are classified separately from other property assets held. Investment property is shown net of the relevant accumulated depreciation and any impairment. The useful life of Group investment property is 33 years.

The book value of investment property is subject to review to record any impairment, should events or changed situations indicate that the book value cannot be recovered. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is restored should the reasons for it no longer exist.

Investment property is derecognized on disposal (i.e. on the date the buyer obtains control over it) or when the investment is permanently unusable and no future economic benefits are expected from its disposal. The amount of consideration to be considered to calculate the gain or loss on the derecognition of an investment property is determined in accordance with transaction pricing requirements in IFRS 15.

Leases
At inception of a contract, the Group assesses whether the contract is, or contains, a lease. The contract is, or contains, a lease if it provides the right to control the use of a specific asset for a period of time in exchange for consideration.
The Group uses the exemption under IFRS16 for intangible assets.

The Group as lessee
The Group applies a single accounting model for all leases to which it is lessee, except for short-term leases and leases of low-value assets. The Group recognizes a financial lease liability and a right-of-use asset.

Right-of-use assets:
The Groups recognizes a Right-of-use asset at the lease commencement date (that is the date on which the underlying asset is available for use by the lessee). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses determined as described below, and adjusted for any remeasurement of lease liabilities. The cost of Right-of-use assets includes the amount of the recognized lease liability, initial direct costs incurred, lease payments made at or before the commencement less any lease incentives received, and the estimate of costs to be incurred by the Group in restoring the underlying asset to its original condition, if required by the lease.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, depreciation is calculated on a straight-line basis over the shorter of the lease term and the useful life of the asset as follows:

	Useful life
Buildings	33 years
Equipment and other assets	3-5 years
Vehicles	3-4 years

Right-of-use assets are tested for impairment should events or changes in circumstances indicate that the book value cannot be recovered. If there is an indication of impairment and, should the book value exceed the presumed realizable value, assets are written down to reflect their realizable value. The realizable value is the higher of the net sale price and the value in use. In defining the value in use, the expected future cash flows are discounted using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset. The realizable value of an asset which does not generate broadly independent cash flows is determined in relation to the cash flow generating unit to which this asset belongs. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is restored should the reasons for it no longer exist.

Lease liabilities:
At the commencement date of the lease, the Group recognizes a lease liability measured at the present value of future lease payments to be made over the lease term. Future payments include fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the Group is reasonably certain to exercise the option to terminate. The variable lease payments that do not depend on an index or a rate, but that in the case of the Group mainly depend on sales volumes, continue to be recognized as costs for services in profit or loss. In calculating the present value of future payments, the Group uses the Incremental Borrowing rate (IBR) at the lease commencement date. Subsequently, the lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the lease liability is remeasured to account for any change in the terms of the lease.

Short-term leases and leases of low-value assets:
The Group has elected not to apply IFRS 16 to short-term leases (leases with a lease term of 12 months or less) and leases for which the underlying asset is of low value (less than 5,000 Euro). Payments on these leases are recognized as expense on a straight-line basis in accordance with the terms and conditions of the lease.

The Group as lessor

Lease contracts in which the Group largely retains all the risks and benefits of ownership of the asset are classified as operating leases.

Lease payments are recognized on a straight-line basis over the term of the lease contracts in place at the reporting date and, if they derive from investment property, they are classified under Rental income investment properties. The Group capitalizes the initial direct costs incurred in obtaining an operating lease and recognizes those costs as an expense over the lease term on the same basis as the lease income.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method.

The acquisition cost is valued as the total of the transferred consideration measured at fair value at the acquisition date and the amount of any minority interests in the acquired company. For every business combination, the acquirer must assess any minority interests in the acquired company at fair value or in proportion to the share of minority interests in the net identifiable assets of the acquired company. Acquisition costs are recognized in the income statement under administrative costs.

The Group shall determine to have acquired a business when an integrated set of activities and assets includes, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. An acquired process shall be considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process, or significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Every potential consideration must be recognized by the acquirer at the fair value on the acquisition date. The change in the fair value of the potential consideration classified as a financial asset or liability pursuant to IFRS 9 will be recognized in accordance with the provisions of IFRS 9, in the income statement or in the statement of comprehensive income. If the potential consideration is classified as an equity instrument, its value is not remeasured and its discharge is recognized under shareholders' equity. When the contingent consideration is outside the scope of IFRS 9, it must nonetheless be measured at fair value through profit or loss.

The goodwill acquired in a business combination is initially measured as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest over the fair value of the net identifiable assets acquired and the liabilities assumed by the Group. This requires the fair value recognition of the identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the purchased company.

After the initial recognition, goodwill is valued at cost less accumulated impairment. For impairment test purposes, the goodwill acquired in a business combination is allocated, at the acquisition date, to the Group's individual cash flow generating units, or to groups of cash flow generating units which should benefit from the synergies of the combination, regardless of the fact that other Group assets or liabilities are allocated to these units or groups of units.

When the Group acquires a business, it must classify or designate the financial assets acquired or the liabilities assumed on the basis of the contractual terms, economic conditions and other pertinent conditions as they exist at the acquisition date. This includes a test to establish whether an embedded derivative must be separated from the primary contract.

In a business combination achieved in stages, the company shall remeasure its previously held equity interest at its fair value and recognize the resulting gain or loss, if any, in profit or loss.

If the goodwill has been allocated to a cash flow generating unit and the entity disposes of part of the assets of this unit, the goodwill relating to the disposed asset must be included in the book value of the asset when the gain or loss arising from the disposal is determined. The goodwill relating to the disposed asset must be determined on the basis of the values relating to the disposed asset and the part of the cash flow generating unit which is kept.

Business combinations between entities subject to joint control do not fall within the scope of application of IFRS 3. Should the business combination between entities subject to joint control not be of an economic nature but a mere corporate reorganization, the company will apply the business combination accounting method called "pooling of interest", thus aggregating the assets and liabilities to the book values on a line-by-line basis.

Intangible assets

Intangible assets are recorded among assets at purchase cost when the use of the asset is likely to generate future income and when the cost of the asset can be reliably established. Intangible assets acquired through business combinations are recorded at fair value as established at the acquisition date, if this value can be reliably established. Intangible assets with a finite useful life are amortized on a straight-line basis over their estimated useful life; the useful life is reviewed on an annual basis and any changes, where necessary, are applied on a prospective basis.

Intangible assets are shown net of the related accumulated amortization and any accumulated impairment determined in accordance with the method described below.

The useful lives of the main categories of intangible assets with a finite useful life are the following:

	Useful life
Industrial patents and intellectual property rights	2-5 years
Concessions, licenses and trademarks	10 years
Key money	On the basis of the residual term of the asset's lease contract
Know-how	8 years

An intangible asset is derecognized on disposal (i.e. on the date the buyer obtains control over it) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

The book value of intangible assets is subject to review to record any impairment, should events or changed situations indicate that the book value cannot be recovered. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is restored should the reasons for it no longer exist.

Development costs

Research costs are charged to the income statement when they are incurred.

Development costs incurred in relation to a particular project are capitalized only when the Group can demonstrate the technical possibility of completing the intangible asset in such a way as to make it available for use or for sale, as well as its intention to complete the asset in order to use it or sell it, the means by which it will generate probable future income, the availability of technical, financial or other resources to complete the development and its ability to make a reliable assessment of the cost attributable to the asset during its development.

During the development period, the asset is reviewed annually to assess any impairment. Following the initial recognition, development costs are assessed at cost less any accumulated amortization or impairment loss. Amortization of the asset starts when the development is completed and the asset is available for use. It is amortized in reference to the period in which the project is likely to generate revenues for the Group.

Industrial patents and intellectual property rights

Industrial patents and intellectual property rights refer to costs for software licenses and to costs for the deposit and registration of trademarks and patents relating to Group products.

Concessions, licenses, trademarks and similar rights

This item refers to costs for the deposit and registration of the Salvatore Ferragamo trademark. Purchase costs are amortized over the useful life of the right purchased.

Other intangible assets with a finite useful life

This item mainly refers to the sums paid to lease property by taking over existing contracts or by obtaining the withdrawal of lessees so as to be able to enter into new contracts with the lessors (key money). These charges are amortized over the term of the lease contract.

Starting from 2020, the item includes also the know how acquired through the business combination of Arts S.r.l. and Aura 1 S.r.l., recognized at its fair value at the acquisition date. This charge is amortized over 8 years.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
The general rule in IFRS 9 is that an entity shall recognize a financial asset or a financial liability on its balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Financial assets

On initial recognition, financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The assessment of the contractual cash flow characteristics is known as the SPPI ('solely payments of principal and interest-SPPI') test and is conducted for each instrument. However, identical financial instruments may be analyzed in groups, since the outcome of the test would not be different than under an individual or separate assessment.

The Group's business model for managing financial assets refers to how the Group manages financial assets in order to generate cash flows. The business model determines whether the cash flows will result from the collection of contractual cash flows, sales proceeds, or both. Based on these characteristics, financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through other comprehensive income with reclassification of cumulative gains and losses (debt instruments);
- Financial assets at fair value through other comprehensive income without reclassification of cumulative gains or losses on disposal (equity instruments);
- Financial assets at fair value through profit or loss.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

After initial recognition, the Group measures financial assets at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include trade receivables and guarantee deposits.

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through other comprehensive income, gains and losses are recognized through other comprehensive income except for changes resulting from exchange differences and impairment losses, as well as reversals, which are recognized in the statement of profit or loss. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss; the amounts recognized through profit or loss are the same that would have been recognized if the financial assets had always been measured at amortized cost. The Group currently does not have this type of instruments.

Financial assets at fair value through profit or loss

In general, IFRS 9 defines the classification at fair value through profit or loss as a residual category to be applied to all those financial assets that, because of their contractual characteristics, are not measured at amortized cost or at fair value through other comprehensive income. However, the Group may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise from recognizing the gains and losses on the asset on different bases. Although this may be considered an accounting policy choice, the standard does not require applying it consistently to all similar transactions.

Financial instruments at fair value through profit or loss are carried in the statement of financial position at fair value, with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments. Derivatives are classified as financial instruments held for trading, unless they are designated as effective hedging instruments.

A derivative embedded in a non-derivative hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

Reclassification

A financial asset is reclassified only if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be expected or the Group changes its business model for managing financial assets. The reclassification shall be applied prospectively from the date of reclassification, without restating any previously recognized gains, losses, and interest.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, whereby it retains the contractual rights to receive cash flows from the asset, but assumes a contractual obligation to pay the cash flows to one or more recipients, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When all the risks and rewards of ownership of the financial assets are substantially transferred, the Group derecognizes the financial asset and recognizes any rights and obligations created or retained as separate assets or liabilities; otherwise, the financial asset continues to be recognized. When it has neither transferred nor retained substantially all of the risks and rewards, nor lost control over the asset, the Group continues to recognize the asset to the extent of its continuing involvement; when control over the financial assets is not retained, the Group derecognizes the financial asset and recognizes any rights and obligations created or retained as separate assets or liabilities. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. Specifically, the impairment model applies to all financial assets measured at amortized cost and at fair value through other comprehensive income, but not to financial assets at fair value through profit or loss. In addition, the following types of instruments also fall within the scope of the model:

- Loan Commitments not measured at FVTPL;
- Financial guarantees within the scope of IFRS 9;
- Lease receivables within the scope of IFRS 16;
- Contract Assets within the scope of IFRS 15.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The cash flows that the Group expects to receive depend on the probability of a default by the counterparty and the amount it expects to be able to recover; the expected cash flows will therefore include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Under the general approach of the Standard, the impairment of financial assets is determined based on the monitoring of the counterparties' credit standing. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. More specifically, for the above financial assets, the Group adopts the practical expedient of the provision matrix to calculate impairment, i.e. has established a matrix system based on historical collection information, adjusted for forward-looking factors specific to the debtors and the economic environment, as a means to determine expected credit losses.

Financial liabilities

Financial liabilities are classified and measured at amortized cost using the effective interest rate method, except for those financial liabilities that are classified at fair value through profit or loss because they do not meet the conditions for the measurement at amortized cost. This is the case of financial liabilities held for trading. In addition, the Group may, at initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so would result in more relevant information, as:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases;
- a group of financial assets or liabilities is managed and measured at fair value in accordance with a risk management policy or based on an investment strategy, and information about the group is provided internally on that basis to key management personnel.

Derivatives with negative fair values are also classified and measured at fair value through profit or loss, except for those held as effective hedging instruments. All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings as well as payables, directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

The measurement of financial liabilities depends on their classification as financial liabilities at fair value through profit or loss and financial liabilities at amortized cost (loans and borrowings).

Financial liabilities at fair value through profit or loss: financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of settling or transferring them in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities are designated at fair value through profit or loss upon initial recognition, only if the criteria in IFRS 9 are satisfied. Upon initial recognition, the Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and borrowings): after initial recognition, loans are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance costs in the statement of profit or loss.

It is not possible to reclassify financial liabilities.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as: foreign exchange forward contracts, to hedge financial risks relating to exchange rate fluctuations affecting commercial transactions in foreign currency. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into, and are subsequently measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. As allowed under IFRS 9 paragraph 7.2.21, the Group elected to apply IAS 39 for the purpose of hedge accounting.

In keeping with the provisions of IAS 39.88 and IFRS 9.6.4.1, hedging derivatives are eligible for hedge accounting only when:

- At the inception of the hedge, there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
- the hedge is likely to be highly effective;
- for cash flow hedges, the forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to the measurement of cash flows that could affect profit or loss;
- the effectiveness can be reliably measured; and
- the hedge itself is highly effective during the various accounting periods for which it is designated.

All derivatives are measured at fair value. When derivatives possess the necessary features to be accounted for in accordance with hedge accounting, the following accounting treatments are applied:

- Fair value hedge – if a derivative is designated as a hedge against changes in the current value of an asset or a liability as well as a firm commitment which may have an impact on the income statement, the change in the fair value of the hedging instrument is recorded in the income statement and the change in the fair value of the hedged instrument attributable to the risk covered is recorded as part of the book value of the item being hedged and is also recorded in the income statement. In the case of a firm commitment, the fair value of the component related to the hedged risk is recognized as an asset or liability, adjusting the line item in the statement of financial position that will be affected by the firm commitment upon its realization.
- Cash flow hedge – if a derivative is designated as a hedge against the changes in cash flows from an asset or liability or from a transaction which is considered as highly likely or a firm commitment and which could affect the income statement, the effective portion of the gains or losses on the derivative is recorded under shareholders' equity and accounted for in the statement of comprehensive income; the accumulated gain or loss is reversed from shareholders' equity and charged to the income statement in the same period in which the hedged transaction is recorded; the gain or loss associated with a hedge or that part of the hedge which has become ineffective, is recorded in the income statement when its ineffectiveness is recognized.

Should the conditions to apply hedge accounting not occur, the effects arising from the fair value assessment of the derivative are charged directly to the income statement.

Cash and cash equivalents

Cash and short-term deposits refer to cash on hand and sight/short-term deposits, in the latter case originally expiring in no more than three months.

Treasury shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale or cancellation of treasury shares. Any difference between the purchase value and the consideration, in the event of a sale and/or grant, is recognized in a reserve in equity.

Inventories

Inventories are measured at the lower of purchase and/or production cost, determined using the weighted average cost method, and the net realizable value. Purchase cost includes ancillary charges; production cost includes direct costs and a share of indirect costs which may be reasonably attributable to products. The presumed net realizable value is the normal estimated sale price less the estimated costs to complete the product and the estimated costs to complete the sale.

Assets held for sale

This item is composed of non current assets, whose book value will be recovered mainly through their sale rather than through their continued use. Assets classified as held for sale are valued at the lower of their net book value and their fair value net of sale costs.

Provisions for risks and charges

Provisions for risks and charges are allocated when the Group must meet a current (legal or implicit) obligation resulting from a past event, whose occurrence is deemed as likely and whose amount can be reasonably estimated.

When the Group believes that an allocation to the provision for risks and charges will be partly or fully reimbursed, for example in the case of risks covered by insurance policies, the compensation is recorded separately among assets if, and only if, it is almost certain. In this case, in the income statement the cost of any allocation is shown net of the amount recorded for the compensation.

If there is a significant effect from discounting the value of money, the allocations are discounted using a pre-tax discount rate which reflects, where appropriate, the specific risks of the liabilities. When the discounting is carried out, the increase in the allocation due to the passing of time is recorded as a financial charge.

Pension Funds and other long-term employee benefits

In Italy, the Group has a "Defined-benefit plan" for employee severance indemnities. With respect to Salvatore Ferragamo S.p.A., the plan concerns only the amounts recognized up to 31 December 2006. In addition, the Group has "Defined-contribution plans" for employee severance indemnities accrued after said date. This distinction derives from the 2007 Budget Law and the relevant enabling legislation, which require allocating employee severance indemnities to either supplementary pensions schemes or the Treasury Fund of the Italian Social Security Institute (INPS).

The Group also has other "Defined-benefit plans" in the United States, Mexico, Thailand, France, Belgium, Principality of Monaco, Taiwan, Japan, and India.

Moreover, the Group has defined-contribution plans for its employees.

The Group's net obligation deriving from defined-benefit plans is calculated separately for each plan by estimating the amount of the future benefit which employees have accrued in return for the service provided in the current and previous years; this benefit is discounted in order to calculate the present value. The cost of the benefits provided under the defined-benefit plan is determined using the actuarial technique of the projected unit credit method. Actuarial gains and losses are recorded directly in the statement of comprehensive income, as provided for by IAS 19. Net interest on the net defined-benefit liability shall be determined by multiplying the net liability by the discount rate.
The actuarial assessment of liabilities has been entrusted to independent actuaries.

Fair value

IFRS 13 establishes a single source of guidance for fair value measurement and for the relevant disclosures when such measurement is required or permitted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets or liabilities whose fair value is measured or recognized are categorized based on the following fair value hierarchy:
- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – valuation techniques using unobservable inputs for the asset or liability.

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The methods for determining fair value in reference to financial instruments, for accounting or disclosure purposes, are summarized below in reference to the main financial instrument categories, to which they have been applied:
- Derivatives: adequate pricing models have been adopted, based on the market values of interest and exchange rates;
- Receivables and payables and unlisted financial assets: for financial instruments expiring after more than one year, the discounted cash flow method has been applied, i.e. the discounting of expected cash flows given current interest rate and creditworthiness conditions;
- Listed financial instruments: the market value at the reference date is used.

Costs

Costs are recognized when related to goods or services sold or consumed during the period or systematically allocated, or when it is not possible to identify their future usefulness.

Advertising and research costs, in accordance with IAS 38, are charged in full to the income statement, when the service has been provided and delivered to the Group.

Costs are recognized according to their nature considering the standards applicable under IFRS.

Revenues from contracts with customers

Revenues from contracts with customers are recognized when control of goods or services transfers to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Sale of goods

Revenues from the sale of goods are recognized when control of the good passes to the customer, generally upon shipment depending on the terms applied.

The Group considers whether the contract includes other promises representing performance obligations to which part of the consideration for the transaction must be allocated (for example guarantees). When determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Right of return
Some contracts allow customers to return goods within a specified period of time. The Group uses the expected value method to estimate the goods that will not be returned, as this method better predicts the amount of variable consideration to which the Group will be entitled. The guidance in IFRS 15 regarding the constraints on the recognition of variable consideration applies to the determination of the amount of variable consideration that can be included in the transaction price. The Group adjusts revenues for the goods expected to be returned, and recognizes a liability for the refunds. The right of return of an asset (and the corresponding adjustment to the cost of sales) is recognized also for the right to recover goods from customers.

Royalties
Revenues from royalties derive from sales-based royalties arrangements with customers, and are therefore recognized based on the stage of completion of the licensee's sales in accordance with the terms of the agreement.

Right of return assets

A right of return asset represents the Group's right to recover goods expected to be returned from customers. The asset is measured at the previous carrying amount of inventories less any costs for its recovery, including any impairment of the returned products. The Group regularly updates the estimated amount of returns from customers as well as any additional impairment of the returned products.

Refund liabilities

The refund liability represents the obligations to refund some or all of the consideration received (or to be received) from the customer and is measured based on the amount the Group expects to be refunded to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payment plans

The Group recognizes additional benefits to some employees, directors and collaborators with particular positions, through equity-settled share-based payments, which provide for the physical delivery of shares. In accordance with the provisions of IFRS 2 – Share-based payments – rights in favor of employees are valued at fair value when the beneficiary is informed of their allocation, and this value is determined using the binomial model. This model takes account of all the features of the rights (duration, exercise price and conditions, etc.), as well as the value of the underlying shares at the grant date and their expected volatility.

If the right can be exercised after a certain period (vesting period) and on the occurrence of specific performance conditions, the cost of transactions settled with equity instruments, together with the corresponding increase in shareholders' equity, is recorded in the period in which the conditions relating to the achievement of objectives and/or the provision of the service are satisfied, ending at the time the beneficiaries have fully accrued the right to receive payment ("vesting date").

At the end of each year, the fair value of the rights which has been determined previously is not reviewed, but on this date the estimate of the number of rights which will vest up to the expiry is updated. The accumulated costs recorded for these transactions at the end of each year up to the vesting date are proportionate to the expiries of the vesting period and to the best available estimate of the number of options which will actually vest. The cost or revenue recorded in the income statement for the year represents the change in the accumulated cost recorded at the start and at the end of the year.

No cost is recorded for rights which do not ultimately vest, except in the case of rights whose allocation is subordinate to market conditions.

The impact of the dilution of the rights not yet exercised is reflected in the calculation of the dilution of earnings per share.

Cash-settled transactions

In case of cash-settled share-based transactions, the cost of the cash-settled transactions is initially valued at the fair value at the date the beneficiary is informed of their allocation. This fair value is recognized in the income statement in the period until vesting, with the recognition of a corresponding liability. Until the liability is settled, the fair value is recalculated at each year-end date and at the settlement date, charging the related changes to the income statement.

Financial income and charges

Financial income and charges are recorded on an accrual basis according to the interest accrued on the net value of the related financial assets and liabilities, using the effective interest rate.

Dividends

Dividends are recognized when the shareholders' right to receive payment arises.

Income Taxes

Current taxes

Current taxes reflect a realistic estimate of the tax burden, determined by applying the rates and laws in force in the countries where the Salvatore Ferragamo Group operates; the amount payable for current taxes is recognized in the statement of financial position net of any tax advances paid. The Group regularly assesses the position taken in its income tax filings where tax regulations are subject to interpretation and makes provisions, when appropriate.

Current taxes relating to items recorded directly under shareholders' equity or in the statement of comprehensive income are also charged directly to shareholders' equity or to the statement of comprehensive income.

Deferred taxes

Deferred taxes are calculated on the temporary differences existing at the reporting date between the fiscal values taken as a reference for assets and liabilities and the values recognized in the financial statements.

Deferred tax liabilities are recorded for all taxable temporary differences, except:

- when the deferred tax liabilities derive from the initial recognition of goodwill or of an asset or a liability in a transaction which is not a business combination and which, at the time of the transaction, has no effect on the profit/(loss) for the year calculated for financial statement purposes or on the profit or loss calculated for tax purposes;
- in reference to taxable temporary differences relating to investments in subsidiaries, associated companies and joint ventures, when the reversal of temporary differences may be managed and it is not likely to occur in the foreseeable future.

Deferred tax assets are recorded against all deductible temporary differences and for tax assets and liabilities which are carried forward, to the extent that adequate future tax profits are likely to exist which make it possible to use the deductible temporary differences and the tax assets and liabilities which have been carried forward, except when:

- the deferred tax asset connected to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not affect profit/(loss) for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;
- in reference to taxable temporary differences relating to investments in subsidiaries, associated companies and joint ventures, deferred tax assets are only recorded to the extent that the deductible temporary differences are likely to be reversed in the immediate future and there are adequate tax profits against which the temporary differences may be used.

The value to be recorded for deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer likely that sufficient tax profits will be available in the future so as to allow all or part of this credit to be used. Unrecognized deferred tax assets are reviewed annually at the reporting date and are recorded to the extent that it has become likely that the tax profit is sufficient to ensure that these deferred tax assets can be recovered.

To determine whether taxable profit will be available against which a deductible temporary difference can be utilized, the entity shall consider whether local tax laws restrict the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference.

Deferred tax assets and liabilities are measured on the basis of the tax rates which are expected to be applied in the year in which the assets are realized or the liabilities are settled, taking into account the rates in force and those already issued or basically issued at the reporting date.

Deferred taxes relating to items recorded directly under shareholders' equity or in the statement of comprehensive income are also charged directly to shareholders' equity or to the statement of comprehensive income.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets against current tax liabilities and the deferred taxes refer to the same fiscal entity and the same tax authority.

Value added tax

Revenues, costs and assets are recorded net of value added taxes except when:

- this tax, applied to the purchase of goods or services, is non-deductible, in which case it is recognized as part of the purchase cost of the asset or part of the cost item charged to the income statement;
- it refers to trade receivables and payables for which the invoice has already been issued or received and whose values are shown including the tax amount.

The net amount of indirect taxes on sales and purchases which may be recovered from or paid to the Inland Revenue Office is recorded among tax receivables or payables depending on the nature of the balance.

Earnings per share

Basic earnings per share is calculated by dividing the profit and/or loss for the period attributable to the Shareholders of the Parent company by the weighted average number of outstanding shares during the year. For the purposes of calculating the diluted earnings per share, the weighted average number of the outstanding shares is modified by assuming the conversion of all potential shares with a diluting effect. The net result is also adjusted to take account of the impact, net of taxes, of the conversion.

Put and call agreements on minority interests

In the case of put options granted to minority shareholders, the Group recognizes a financial liability corresponding to the present value of the exercise price of the option. If the terms and conditions of the put option already give the Group access to the economic benefits associated with the interest concerned by the option, the Group accounts for this interest as if it were already acquired and, therefore, on initial recognition of the liability, this amount is reclassified from equity as a deduction from minority interests. The liability is subsequently remeasured at the end of each period in compliance with IFRS 9. In other cases, under the accounting policy chosen by the Group, on initial recognition of the liability, this amount shall be reclassified to the Group's equity, continuing to account for the profits and losses attributable to such minority interests and the equity held by minority interests; any change in the amount of the liability shall be recognized in equity.

IAS 29 Financial reporting in hyperinflationary economies

Effective 1 July 2018, Argentina's economy is considered hyperinflationary in accordance with "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). This standard requires that the financial statements of entities whose functional currency is the currency of an economy considered hyperinflationary to be restated by using a general price index that reflects changes in general purchasing power. The inflation index used in Argentina is a synthetic index with the following characteristics: (a) as of 1 January 2017, a new national consumer price index is used; and (b) for periods up to 31 December 2016, the wholesale price index is used.

Therefore, all items of the financial statements of Ferragamo Argentina S.A. have been divided into monetary and non-monetary items. Monetary items are money held and assets or liabilities to be received or paid in cash; all other items are non-monetary. Monetary items are not restated because they are already expressed in terms of current monetary unity. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power and an entity with an excess of monetary liabilities over monetary assets gains purchasing power. The gain or loss on the net monetary position is included in net income. The effect of inflation on the net monetary position and non-monetary assets and liabilities of Ferragamo Argentina S.A. for the year ended 31 December 2021 resulted in a 154 thousand Euro net loss with an immaterial impact on the consolidated financial statements (80 thousand Euro net loss in the consolidated income statement as at 31 December 2020).

After restating non-monetary assets as per IAS 29, the Group also assessed whether the restated amount of the asset exceeded its recoverable amount. In addition, the application of IAS 29 gave rise to temporary tax differences: while the carrying amount of non-monetary assets is adjusted for inflation, a similar adjustment is not made for tax purposes; the result of such temporary difference is a deferred tax liability that has been recognized in profit or loss.

Changes in international accounting standards

The Group has not adopted in advance any standard, interpretation or improvement that has been issued but which is not yet in force, except for the amendment to IFRS16 Leases Covid-19 Related Rent Concessions beyond 30 June 2021.

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

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

Said amendment introduces an additional practical expedient to simplify lessee accounting for rent concessions (i.e. lease payment reductions, holidays and/or deferrals granted to a lessee by a lessor) received in the wake of the Covid-19 pandemic and that extend beyond 30 June 2021. If specified conditions are met, the practical expedient allows recognizing a "positive variable lease payment" through profit or loss as operating income deducted directly from the lease liability.

The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- following the rent concession, the revised consideration for the lease is substantially the same as, or less than, the original consideration for the lease;
- the rent concession refers exclusively to payments originally due on or before 30 June 2022;
- there is no substantive change to other terms and conditions of the lease.

If the above conditions are not met, rent concessions shall be recognized according to the general principle concerning lease modifications under IFRS 16.

Adopting the amendment early caused the Group to recognize rent concessions related to the Covid-19 emergency amounting to 6,785 thousand Euro in 2021, accounted for largely as a deduction from Sales & Distribution Costs in the Consolidated Income Statement.

The Group adopted such practical expedient, endorsed by the European Union in August 2021, early to represent the concessions granted by lessors as a result of the Covid-19 pandemic in line with expected industry practices and what was already done in 2020 based on the first amendment to IFRS16 regarding rent concessions. Not adopting said practical expedient would have given rise to significant accounting costs (the same costs that led the IASB to issue the amendment) and made it impossible to adopt it also for the Consolidated Financial Statements as at 31 December 2021. These considerations were decisive in electing to adopt the amendment early, given also the number of leases being renegotiated across the different geographies and jurisdictions in which the Group operates.

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

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

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

The amendments are effective for annual periods beginning on or after 1 January 2021. The Group will monitor the evolution of the changes being made to the reform. These amendments did not have any impact on the Group's consolidated financial statements. The future risks the Group is exposed to, arising from financial instruments subject to interest rate benchmark reform, are not currently considered material.

Standards issued but not yet in force

Set out below are the standards which, when preparing the Group's consolidated financial statements had already been issued but were not yet in force. The list refers to the standards and interpretations which the Group expects will in all likelihood be applicable in the future. The Group intends to adopt these standards when they come into force.

Amendment to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right;
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments will be effective for annual periods beginning on or after 1 January 2023, and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on the current situation.

Amendment to IFRS 3 - Reference to the Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace the references to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with references to the Conceptual Framework for Financial Reporting, that was issued in March 2018, without significantly changing the requirements of the standard. The Board also added an exception to the recognition principles of IFRS 3 to avoid the risk of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify that the existing guidance in IFRS 3 for contingent assets would not be affected by replacing the references to the Framework for the Preparation and Presentation of Financial Statements. The amendments will be effective for annual periods beginning on or after 1 January 2022 and apply prospectively.

Amendment to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment will be effective for annual periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The Group does not anticipate material impacts with respect to these amendments.

Amendment to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments will be effective for annual periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet met all its obligations at the beginning of the period in which it will first apply these amendments.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption for deferred tax, so as to exclude transactions that give rise to equal amounts of taxable and deductible temporary differences, as in the case of leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after 1 January 2023. The deferred tax assets and liabilities related to leases and decommissioning obligations shall therefore be recognized at the beginning of the earliest comparative period presented, recognizing the relevant cumulative effect as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest comparative period presented. The Group is currently assessing the impact of the amendments on its financial position; based on the analysis carried out, it does not anticipate an impact on retained earnings, and the Group will recognize deferred tax assets and liabilities separately.

IFRS 9 Financial Instruments – Fees in the "10 per cent" test for derecognition of financial liabilities

As part of the 2018-2020 annual improvements to IFRS standards, the IASB issued an amendment to IFRS 9. This amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies this amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, and earlier application is permitted. The Group will apply this amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The Group does not anticipate material impacts with respect to this amendment.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. In addition, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted, provided that fact is disclosed. The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgments, in which it provides guidance and examples to help entities apply materiality judgments to the disclosure of accounting policies. The amendments are intended to help entities provide more useful accounting policy disclosures by replacing the requirements for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies; in addition, they added guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, and earlier application is permitted. As the amendments to the PS 2 set out non-mandatory guidance on the application of the definition of material to accounting policy disclosures, an effective date for these amendments is not required. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Consolidation area

The Consolidated Financial Statements as at 31 December 2021 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 2021 include the 2021 accounts of Group companies, which have been prepared by adopting the same accounting policies as the Parent company. Subsidiaries are those entities over which the Group has control, or when the Group is exposed to variable returns arising from its transactions with the entity, or can claim rights over such returns, and at the same time has the ability to influence such returns by exercising its influence over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the moment when the parent company starts to exercise control until such control ends. Should it lose such control, the Group eliminates the assets and liabilities of the subsidiary and any previous minority interests in shareholders' equity, including any other item of other comprehensive income relating to the subsidiary. Any profit or loss arising from the loss of control is recorded under net profit/(loss) for the year. Any equity investment in the former subsidiary is measured at fair value on the date of loss of control.

All intragroup balances and transactions, including any unrealized profits and losses deriving from transactions among Group companies, are completely eliminated.

Minority interests represent the part of profits or losses and of net assets not held by the Group and are shown in a separate item of the income statement, and in the statement of financial position among shareholders' equity items, separately from Group shareholders' equity. Acquisitions of subsidiaries are recognized using the acquisition method, allocating the cost of the business combination at the fair values of assets, liabilities and contingent liabilities acquired at the acquisition date and including the result of the purchased company recorded from the acquisition date to the end of the year. Changes in the Group's stake in a subsidiary which do not cause the loss of control are recognized as equity transactions.

The following companies are included in consolidation as at 31 December 2021 and are consolidated on a line-by-line basis.

Company name	Location	Currency	Share capital	Controlling interest (%)		Notes
				Direct	Indirect	
Salvatore Ferragamo S.p.A.	Florence, Italy	Euro	16,879,000	Parent company		
Ferragamo Retail Nederland B.V.	Amsterdam, Holland	Euro	500,000	100%		
Ferragamo France S.A.S.	Paris, France	Euro	4,334,094	100%		
Ferragamo Deutschland GmbH	Munich, Germany	Euro	3,300,000	100%		
Ferragamo Austria GmbH	Vienna, Austria	Euro	1,853,158	100%		
Ferragamo U.K. Limited	London, United Kingdom	Pound Sterling	7,672,735	100%		
Ferragamo (Suisse) SA	Mendrisio, Switzerland	Swiss Franc	1,000,000	100%		
Ferragamo Belgique SA	Brussels, Belgium	Euro	750,000	100%		
Ferragamo Monte-Carlo S.A.M.	Principality of Monaco	Euro	304,000	100%		
Ferragamo Espana S.L.	Madrid, Spain	Euro	4,600,000	100%		
Ferragamo USA Inc.	New York, United States	US Dollar	74,011,969	100%		
Ferragamo Canada Inc.	Vancouver, Canada	Canadian Dollar	4,441,461		100%	(1)
S-Fer International Inc.	New York, United States	US Dollar	4,600,000		100%	(1)
Sator Realty Inc.	New York, United States	US Dollar	100,000		100%	(1)
Ferragamo Mexico S. de R.L. de C.V.	Mexico City, Mexico	Mexican Peso	4,592,700	99.73%	0.27%	(1)
Ferragamo Chile S.A.	Santiago, Chile	Chilean Peso	1,362,590,000	99%	1%	(1)
Ferragamo Argentina S.A.	Buenos Aires, Argentina	Argentine Peso	16,000,000	95%	5%	(1)
Ferragamo Brasil Roupas e Acessorios Ltda.	Sao Paulo, Brazil	Brazilian Real	55,615,000	99%	1%	(1)
Ferragamo Hong KongLtd.	Hong Kong, China	Hong Kong Dollar	10,000	100%		
Ferragamo Japan K.K.	Tokyo, Japan	Japanese Yen	305,700,000	71%		
Ferragamo Australia Pty Ltd.	Sydney, Australia	Australian Dollar	13,637,003	100%		
Ferrimag Limited	Hong Kong, China	Hong Kong Dollar	109,200,000		75%	(2)
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	Shanghai, China	US Dollar	200,000		75%	(3)
Ferragamo Moda (Shanghai) Co. Ltd.	Shanghai, China	US Dollar	1,400,000	75%		
Ferragamo Retail HK Limited	Hong Kong, China	Hong Kong Dollar	39,000,000		75%	(3)
Ferragamo Retail Taiwan Limited	Taipei, Taiwan	New Taiwanese Dollar	136,250,000		75%	(3)
Ferragamo Retail Macau Limited	Macau, China	Macau Pataca	25,000	75.2%		
Ferragamo Retail India Private Limited	New Delhi, India	Indian Rupee	300,000,000	100%		(4)
Ferragamo Korea Ltd.	Seoul, South Korea	South Korean Won	3,291,200,000	100%		
Ferragamo (Singapore) Pte Ltd	Singapore	Singapore Dollar	4,600,000	100%		
Ferragamo (Thailand) Limited	Bangkok, Thailand	Baht	100,000,000	100%		
Ferragamo (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	Malaysian Ringgit	1,300,000	100%		

[1] - Through Ferragamo USA Inc. 2 – Through Ferragamo Hong Kong Ltd. 3 – Through Ferrimag Ltd. 4 -– Non-operating company.

During 2021, the composition of the Salvatore Ferragamo Group saw the following changes:

- on 16 April 2021, Salvatore Ferragamo S.p.A. and Ferragamo Parfums S.p.A. executed the deed of Merger of Ferragamo Parfums S.p.A. into Salvatore Ferragamo S.p.A., filed with the Company Register on 21 April 2021. The merger is effective retroactively to 1 January 2021 for accounting and tax purposes and effective 1 May 2021 for legal purposes.
- On 8 September 2021, the company Parfums Italia S.r.l., wholly-owned by Salvatore Ferragamo S.p.A., was set up in Florence with a share capital of 10,000 Euro. On 27 September 2021, Salvatore Ferragamo S.p.A. - as the sole shareholder in Parfums Italia S.r.l. - approved a share capital increase from 10,000 Euro to 17,138,000 Euro reserved for the sole shareholder, to be carried out by the Company by contributing the assets and liabilities associated with the business of producing and distributing perfumes and fragrances. The share capital increase and the contribution in kind became effective on the date the relevant resolution was filed with the relevant Company Register, i.e., 30 September 2021. The transfer of said business to the group headed by Inter Parfums, Inc. closed on 1 October 2021, with the sale of all shares in the newly-established entity Parfums Italia S.r.l. to Inter Parfums, Inc. at a price equal to the value of the entity's equity and with the grant of an exclusive global license to produce and distribute Salvatore Ferragamo-branded fragrances. The fragrances business was classified first as operation to be disposed of and then as discontinued operation, as required under IFRS 5.

For more details, see the paragraph "Significant events occurred during the year" of the Directors' report on operations, note 5 Business combinations and purchases of minority interests, and note 6 Discontinued operation.

In addition, please note that Ferragamo Argentina S.A. operates in a country that has been considered a hyperinflationary economy since 1 July 2018 in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies"; therefore, this accounting standard has been applied since 2018 in the reporting of the financial position, financial performance, and cash flows of Ferragamo Argentina S.A. for consolidated purposes, as detailed in note 2 Basis of presentation. The impact of the application of the new standard in the years 2018, 2019, 2020 and 2021 is not to be considered material at the Group level.

Subsidiaries with material minority interests

With respect to subsidiaries with material minority interests, here below are the main activities undertaken and the minority interest percentages as at 31 December 2021 and 2020.

Company	Activity	Minority interest (%) 31 December 2021	Minority interest (%) 31 December 2020
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	Retail and distribution company for the Chinese market	25%	25%
Ferragamo Retail HK Limited	Retail company for the Hong Kong market	25%	25%
Ferragamo Japan K.K.	Retail company for the Japanese market	29%	29%

The following tables provide the main economic and financial data of the subsidiaries with material minority interests. This information is based on the balances of the 2020 and 2021 accounts, which were drawn up for the purposes of preparing the consolidated financial statements, gross of intercompany eliminations.

31 December 2021

(In thousands of Euro)	Ferragamo Fashion Trading (Shanghai) Co. Ltd.	Ferragamo Retail HK Limited	Ferragamo Japan K.K.
Non current assets	33,679	30,985	12,615
Current assets	137,897	15,248	58,320
Non current liabilities	13,253	17,645	20,640
Current liabilities	50,383	51,057	73,359
Shareholders' equity	107,940	(22,469)	(23,064)
Minority interests	**26,940**	**(6,720)**	**(6,689)**
Revenues	195,037	19,759	89,437
Profit for the year	25,384	(13,668)	(4,339)
Net profit/(loss) – minority interests	**6,346**	**(3,417)**	**(1,258)**
Total comprehensive income for the period	25,384	(13,668)	(4,104)
Comprehensive income attributed to minority interests	**6,346**	**(3,417)**	**(1,190)**
Net cash provided by/(used in) operating activities	34,753	1,320	14,481
Net cash provided by/(used in) investing activities	(6,072)	(826)	(1,573)
Net cash provided by/(used in) financing activities	(13,904)	(870)	(9,978)
Increase/(decrease) in cash and cash equivalents	14,777	(376)	2,930
Dividends paid to minority interests	**-**	**-**	**-**

31 December 2020

(In thousands of Euro)	Ferragamo Fashion Trading (Shanghai) Co. Ltd.	Ferragamo Retail HK Limited	Ferragamo Japan K.K.
Non current assets	22,817	41,284	18,877
Current assets	107,778	17,571	65,804
Non current liabilities	6,803	23,141	28,033
Current liabilities	51,126	43,368	76,207
Shareholders' equity	72,666	(7,654)	(19,559)
Minority interests	**18,125**	**(2,938)**	**(5,672)**
Revenues	170,949	19,248	85,568
Profit for the year	20,216	(20,034)	(21,165)
Net profit/(loss) – minority interests	**5,054**	**(5,009)**	**(6,138)**
Total comprehensive income for the period	20,216	(20,034)	(20,996)
Comprehensive income attributed to minority interests	**5,054**	**(5,009)**	**(6,089)**
Net cash provided by/(used in) operating activities	28,651	7,051	(899)
Net cash provided by/(used in) investing activities	(3,682)	(3,748)	(2,165)
Net cash provided by/(used in) financing activities	(16,865)	(2,933)	2,865
Increase/(decrease) in cash and cash equivalents	8,104	370	(199)
Dividends paid to minority interests	**-**	**-**	**-**

IFRS 12 requires disclosure if there are legal, contractual and/or regulatory requirements as well as minority interest protection rights that may in some cases limit the Group's ability to access the assets or use them and cancel liabilities of the Group. An analysis of these cases does not show significant restrictions.

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

The consolidated financial statements are expressed in Euro, which is the functional and presentation currency adopted by the Parent company. Every Group company establishes its own functional currency, which is used to value the items included in the individual reports. Transactions in foreign currency are initially recorded at the exchange rate in force at the transaction date (referred to the functional currency). Monetary assets and liabilities, which are denominated in foreign currency, are translated into the functional currency at the exchange rate in force at the reporting date.

All exchange rate differences are recorded in the income statement.

Non-monetary items which are valued at historic cost and denominated in foreign currencies are translated by using the exchange rates in force at the date of initial recognition of the transaction.

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

	Average exchange rates 31 December 2021	Average exchange rates 31 December 2020	Exchange rates at the end of the 31 December 2021	Exchange rates at the end of the 31 December 2020
US Dollar	1.1827	1.1422	1.1326	1.2271
Swiss Franc	1.08115	1.07052	1.0331	1.0802
Japanese Yen	129.877	121.846	130.38	126.49
Pound Sterling	0.8596	0.8897	0.8403	0.8990
Australian Dollar	1.5749	1.6549	1.5615	1.5896
South Korean Won	1,354.06	1,345.57	1,346.38	1,336.01
Hong Kong Dollar	9.1932	8.8587	8.8333	9.5142
Mexican Peso	23.985	24.519	23.1438	24.4160
New Taiwanese Dollar	33.0231	33.5941	31.4393	34.4518
Singapore Dollar	1.5891	1.5742	1.5279	1.6218
Thai Baht	37.8368	35.7081	37.6530	36.7270
Malaysian Ringgit	4.9015	4.7959	4.7184	4.9340
Indian Rupee	87.4392	84.6392	84.2292	89.6605
Macau Pataca	9.468	9.121	9.1131	9.7929
Chinese Renminbi	7.6282	7.8747	7.1947	8.0225
Chilean Peso	898.21	902.32	965.57	870.71
Argentine Peso	112.496	81.029	116.491	102.959
Brazilian Real	6.3779	5.8943	6.3101	6.3735
Canadian Dollar	1.4826	1.5300	1.4393	1.5633

At the reporting date, the assets and liabilities of Group companies are converted into the Group's presentation currency (the Euro) at the exchange rate in force on that date, and their income statement is converted using the average exchange rate for the period. Translation differences are recorded directly under shareholders' equity, are shown separately in a specific reserve and are recognized in the statement of comprehensive income. On disposal of a particular foreign company, the accumulated translation differences which have been recorded as component of the statement of comprehensive income for that particular foreign company are recorded in the income statement.

Any goodwill resulting from the acquisition of a foreign company and any adjustment to fair value of the book values of assets or liabilities arising from the acquisition of that foreign company are recognized as assets and liabilities of the foreign company, are expressed in the functional currency of the foreign company and are translated at the exchange rate in force at the end of the period.

3. Management of financial risks (IFRS 7)

The Salvatore Ferragamo Group is exposed in different measure to the various financial risks related to its business, in particular to the market risk category which includes the following types of risk:

- interest rate risks relating to the impact of changes in market interest rates;
- exchange rate risks, due to operations in currency areas other than that of the accounting currency;
- liquidity risks relating to the availability of financial resources and the ease of access to the credit market and connected to the need to fulfill the Group's financial commitments in the short term;
- credit (or counterparty) risks, representing the risks of default on commercial or financial obligations assumed by the various counterparties and arising from normal commercial transactions or from use, financing and risk hedging activities.

Financial risks are managed on the basis of guidelines established by the Parent company, in compliance with the goals set centrally by the Board of Directors. This enables the control and coordination of the operations of the individual subsidiaries, also through more effective financial planning and control, the systematic monitoring of the Group's levels of exposure to financial risks as well as the trend in cash management, and the provision of useful indications in order to optimize the management of dealings with the reference credit institutions. In accordance with these directives, the Group specifically controls the management of individual financial risks and intervenes to contain their impact, also by using derivatives. Derivatives are used for hedging purposes only. In accordance with IFRS, some derivatives have been classified as held for trading, although they have been entered into solely for hedging purposes.

Financial liabilities largely consist of trade payables, payables to banks and other financial payables, and lease liabilities following the introduction of the accounting standard IFRS16. The management of these liabilities is largely aimed at financing the Group's operations.

Interest rate risk

Movements in market interest rates affect the level of net financial charges and the market value of financial assets and liabilities.

Interest rate risk can be classified as follows:

- flow risk, which refers to the variability in interest income and expense received and paid following changes in market interest rates;
- price risk, relating to the sensitivity of the assets and liabilities market value to changes in the level of interest rates (it refers to fixed rate assets or liabilities).

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

Bank debt is represented by both short-term and medium/long-term, floating-rate loans. The cost of bank debt is benchmarked to the market rate (generally Euribor/Libor or the benchmark of the loan currency on the specific interbank market) in the period increased by a spread which depends on the type of line of credit used. Drawdowns range from one day to a maximum of less than five years (term loan); the interest period and the market rate used (Euribor/Libor) does not exceed six months, including for drawdowns beyond the year. The margins applied are in line with best market standards.

Cash surpluses are used with reference banks in short-term time deposit transactions, referring to the Euribor/Libor rate for the period or the benchmark of the investment currency on the specific interbank market or in intercompany loans, regulated at current market conditions, in order to limit the Group's exposure to the banking system, counterparty risk, and the impact of financial charges.

As part of the general policy of optimizing financial resources, the aim is to find a balance between companies with surplus liquidity and others with financial requirements, using the least costly forms of financing.

Sensitivity to interest rate risk is monitored at Group level, by keeping the overall exposure in due consideration, through coordinated management of debt and available liquidity and of the relevant due dates. At the reporting date there were no outstanding interest rate risk hedge derivatives aimed at transforming floating rate debt into fixed rate debt, nor did the Group make use of such derivatives in the previous year.

The sensitivity analysis of the interest rate risk to which the Group is exposed was undertaken by considering the financial statement items which give rise to floating rate interests and by assuming parallel increases or decreases in the benchmark interest rate curves by individual currency in proportion to the respective annual volatility observed on the market. The result of the analysis carried out for 2021 and 2020, considering the amounts of sensitive assets and liabilities, interest rate trends, and the relevant market volatility, which reached negative levels or levels close to zero, showed no contingent gains or losses through profit or loss.

The possible upward or downward change in the market's benchmark interest rates continues having a minor impact on the Group's income statement.

Exchange rate risk

The exposure to exchange rate risk derives from operations in currencies other than the accounting currency. In particular, the exchange rate risk can be classified based on the nature of the exposure and of the relevant effects:

- on operating results, due to the different relevance of costs and revenues in foreign currency compared to the moment when the price conditions were defined (economic risk) and due to the translation of trade or financial receivables and payables denominated in foreign currency (settlement risk);
- on the consolidated financial statements, operating result and shareholders' equity, due to the translation of assets and liabilities of companies which prepare their financial statements in a different currency from the Group's functional currency (translation risk).

The Group operates internationally and therefore is exposed to risks arising from exchange rate fluctuations, which have an impact on the operating results and on the value of shareholders' equity.

The functional and presentation currency for the Group's financial data is the Euro.

In accordance with IFRS, for companies whose presentation currency is different from the Group's functional currency:

- income statements are translated into Euro at the average exchange rate for the period; if revenues and margins are equal in local currency, exchange rate changes may affect the value in Euro of revenues, costs and operating results;
- assets and liabilities are translated into Euro at the year-end exchange rate and therefore may have different values as a consequence of exchange rate movements. This change has an impact on shareholders' equity, where it is reclassified under 'Translation reserve', and is recorded in the statement of comprehensive income.

Besides absolute amounts, capital ratios may also vary, if the proportions between profit, assets, debt and shareholders' equity in the various currencies change due to exchange rate changes.

It is not the Group's policy to hedge its exposure to translation exchange risk.

The objective of the exchange rate risk hedging policy is to minimize the economic and settlement exchange rate risks, i.e. the risks arising from the possibility that currency parity changes unfavorably during the period between the moment in which a commitment to pay or a right to collect a currency other than the Euro is expected for a future date (definition of budgets, setting of price lists, arrangement of orders), the registration of the accounting document (invoicing) and the moment in which the receipt or payment effectively occurs, generating an effect in terms of translation differences, with an impact on the income statement. In keeping with the exchange rate risk management policy adopted in recent years, the Group manages exchange rate risk arising from its business, in line with the provisions of the exchange rate risk management policy and the risk management objectives that are periodically established at Corporate level, through the systematic hedging of commercial flows arising from sales forecast in currencies other than the Euro, with the aim of mitigating the expected risk of variability in margins arising from sales relating to future collections.

The Group has a strong presence in international markets, including through commercial companies located in countries which use currencies other than the Euro, mainly the US dollar and Chinese renminbi. In the year ended 31 December 2021, around 35% of the Company's net revenues were denominated in US dollars, around 14% in Chinese renminbi, around 6% in South Korean won, around 5% in Japanese yen, and around 4% in Mexican peso. In the year ended 31 December 2020, around 32% of the Company's net revenues were denominated in US dollars, around 13% in Chinese renminbi, around 8% in Japanese yen, around 7% in South Korean won, and around 4% in Mexican peso. The currency risks originate mainly from exports of the Company in US dollars, Chinese renminbi, Japanese yen, South Korean won, and Mexican peso.

In seeking ever greater efficiency and more specific control of risks, and also following the increase in the Group's investments in distribution companies operating in the strategic markets of the Far East, exchange rate risk management is centralized at the Parent company. Goods transferred for consideration to subsidiaries are settled directly in the currency of the country where they operate and sell. In relation to its business model, the Group incurs a significant part of its costs in Euro (costs relating to production and management of the corporate structure), while the revenues and costs recorded by Group companies are mainly expressed in the local currencies of the respective reference markets. In particular, the Group is exposed to changes in the exchange rate between the Euro and the US dollar, in relation both to sales in dollars on the North American market and on few other markets, mainly Asian ones. In this context, the Group is exposed to changes in the exchange rates of the currencies in which sales are denominated. This implies the risk that the corresponding value in Euro of revenues determined at the moment of collection is insufficient to cover production costs or to achieve the desired profit margin. This risk is heightened during the significant period between the moment when the sale prices of a collection are set and the moment when revenues are converted into Euro, which extends up to 18 months.

The Parent company (as a manufacturing company) enters into currency forward contracts or options, to establish the conversion rate in advance, or a predefined range of conversion rates at future dates with an estimated period of maximum 24 months. In the years under examination, the Group covered its exchange rate risk almost exclusively with currency forward exchange contracts.

To this end, on the basis of market expectations and conditions, before establishing price lists, and in any case not after the beginning of the sales campaign, hedging is arranged for an amount generally between 50% and 90% of forecast sales in foreign currency. This proportion is calculated based on the expected overall exposure, rather than the individual foreign currency. In the period following the preparation of the price list, the total outstanding hedge is added for the orders effectively managed and put into production. In this way the company limits the commercial risk just to the risk arising from sales volumes, excluding the risk arising from the exchange rate.

To the above operations we may add residual operations of some Asian and Latin American subsidiaries which make purchases of goods in US dollars or in Euro and sell in the currency of the country in which they operate. The values of the contracts involved are significantly lower than those of the Parent company. During 2020 and 2021, before its merger into Salvatore Ferragamo S.p.A. became effective, Ferragamo Parfums S.p.A. hedged exchange rate risk by entering into foreign currency loans or foreign currency forward contracts with maturities usually of less than 1 year. Although exchange rate derivatives are entered into by these companies solely for hedging purposes based on accruing trade flows, they are not accounted for in accordance with hedge accounting rules and fair value changes have a direct impact on profit or loss.

In addition, the Group controls and hedges exposure deriving from changes due to exchange rate changes in the value of assets or liabilities denominated in currencies other than the accounting currency of the individual company, which may affect the income statement (typically intercompany financial receivables/payables) through financial instruments, whose recognition in accordance with IFRS follows the rules of fair value hedge: the profit or loss arising from subsequent assessments of the present value of the hedging instrument is recorded in the income statement as well as the profit or loss on the hedged item.

The hedges of the Parent company's future transactions in foreign currencies (which can be classified as cash flow hedge pursuant to IFRS) are accounted for in accordance with hedge accounting rules.

The following table shows the changes in the cash flow hedge reserve for the years ended 31 December 2021 and 31 December 2020:

(In thousands of Euro)	2021	2020
Opening balance	**6,740**	**(658)**
+ increases for recognition of new positive effectiveness	1,718	18,852
- decreases for recognition of new negative effectiveness	(17,216)	(5,099)
- decreases for reversal of positive effectiveness from shareholders' equity and recognition of income in profit or loss	(6,847)	(12,970)
+ increases for reversal of negative effectiveness from shareholders' equity and recognition of cost in profit or loss	7,179	6,615
Closing balance	**(8,426)**	**6,740**

Overall, the reserve, which consists of the value changes in hedges for expected transactions in foreign currency, declined by 15,166 thousand Euro during 2021, whereas it had risen by 7,398 thousand Euro in 2020. The changes in value reflect the Euro's performance against the main hedged currencies, and specifically the Euro's exchange rate with the dollar and the renminbi, as the single currency depreciated sharply during the year. The amount transferred from the Reserve to "Revenues from sales" on occurrence of the underlying flows was a negative total of 332 thousand Euro in 2021, compared to a positive 6,734 thousand Euro in 2020. In 2021, no hedge was interrupted due to the cancellation of the expected underlying value; hedges were one hundred percent effective for the whole duration of the underlying asset.

A hedge may become ineffective as a result of:

- differences in the timing of cash flows of the hedged item and the hedging instrument;
- changes in the expected amount of cash flows of the hedged item and the hedging instrument.

The following tables set out the average time horizon and the relevance by risk factor of exchange rate hedges which the Group held at the end of 2021 and 2020. The number of foreign currencies in the table shows how exchange rate risk management is all but centralized at the Parent company.

Cash flow analysis (hedged items): Financial recognition

31 December 2021

Foreign exchange forward contracts (In thousands)	**Less than 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 9 months**	**9 to 12 months**	**Total expected flows**
Notional amount in USD	21,000	50,000	66,000	60,500	48,000	**245,500**
Average forward exchange rate (EUR/USD)	1.207	1.192	1.182	1.181	1.169	
Notional amount in AUD	-	-	-	-	-	**-**
Average forward exchange rate (EUR/AUD)	-	-	-	-	-	
Notional amount in CAD	-	-	-	-	-	**-**
Average forward exchange rate (EUR/CAD)	-	-	-	-	-	
Notional amount in CHF	-	-	-	-	-	**-**
Average forward exchange rate (EUR/CHF)	-	-	-	-	-	
Notional amount in CNY	75,000	90,000	120,000	140,000	30,000	**455,000**
Average forward exchange rate (EUR/CNY)	7.982	8.010	7.885	7.886	7.501	
Notional amount in GBP	-	-	-	-	-	**-**
Average forward exchange rate (EUR/GBP)	-	-	-	-	-	
Notional amount in HKD	16,000	15,000	15,500	24,000	4,000	**74,500**
Average forward exchange rate (EUR/HKD)	9.366	9.368	9.275	9.160	8.937	
Notional amount in JPY	200,000	1,350,000	1,300,000	750,000	600,000	**4,200,000**
Average forward exchange rate (EUR/JPY)	128.126	129.817	129.660	128.731	131.720	
Notional amount in KRW	5,500,000	10,500,000	10,000,000	12,000,000	4,000,000	**42,000,000**
Average forward exchange rate (EUR/KRW)	1,368.800	1,358.918	1,359.918	1,387.931	1,370.634	
Notional amount in MXN	-	90,000	190,000	110,000	20,000	**410,000**
Average forward exchange rate (EUR/MXN)	-	25.938	25.243	25.485	25.120	
Notional amount in SGD	-	-	-	-	-	**-**
Average forward exchange rate (EUR/SGD)	-	-	-	-	-	

31 December 2020

Foreign exchange forward contracts (In thousands)	**Less than 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 9 months**	**9 to 12 months**	**Total expected flows**
Notional amount in USD	19,000	41,000	34,000	28,000	-	**122,000**
Average forward exchange rate (EUR/USD)	1.121	1.120	1.121	1.180	-	
Notional amount in AUD	-	-	-	-	-	**-**
Average forward exchange rate (EUR/AUD)	-	-	-	-	-	
Notional amount in CAD	1,000	2,500	-	-	-	**3,500**
Average forward exchange rate (EUR/CAD)	1.517	1.540	-	-	-	
Notional amount in CHF	-	-	-	-	-	**-**
Average forward exchange rate (EUR/CHF)	-	-	-	-	-	
Notional amount in CNY	65,000	80,000	128,000	135,000	25,000	**433,000**
Average forward exchange rate (EUR/CNY)	7.977	7.982	8.155	8.123	8.040	
Notional amount in GBP	500	500	600	-	-	**1,600**
Average forward exchange rate (EUR/GBP)	0.909	0.910	0.911	-	-	
Notional amount in HKD	-	10,000	25,000	-	-	**35,000**
Average forward exchange rate (EUR/HKD)	-	9.025	8.901	-	-	
Notional amount in JPY	300,000	1,300,000	600,000	1,350,000	-	**3,550,000**
Average forward exchange rate (EUR/JPY)	120.383	120.393	123.362	124.293	-	
Notional amount in KRW	4,000,000	6,500,000	12,000,000	16,000,000	2,500,000	**41,000,000**
Average forward exchange rate (EUR/KRW)	1,334.900	1,336.022	1,380.062	1,365.784	1,328.000	
Notional amount in MXN	70,000	230,000	150,000	50,000	-	**500,000**
Average forward exchange rate (EUR/MXN)	25.930	24.594	26.152	25.140	-	
Notional amount in SGD	-	-	-	-	-	**-**
Average forward exchange rate (EUR/SGD)	-	-	-	-	-	

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

31 December 2021

Exchange rate risk (In thousands)	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	over 1 year
Sales expected in USD	**188,500**	64,500	70,000	48,000	6,000	-
Sales expected in JPY	**4,000,000**	1,950,000	1,000,000	850,000	200,000	-
Sales expected in GBP	**-**	-	-	-	-	-
Sales expected in MXN	**320,000**	190,000	110,000	20,000	-	-
Sales expected in CHF	**-**	-	-	-	-	-
Sales expected in AUD	**-**	-	-	-	-	-
Sales expected in CAD	**-**	-	-	-	-	-
Sales expected in CNY	**330,000**	130,000	130,000	70,000	-	-
Sales expected in HKD	**51,500**	19,500	17,000	15,000	-	-
Sales expected in SGD	**-**	-	-	-	-	-
Sales expected in KRW	**31,500,000**	11,500,000	12,000,000	8,000,000	-	-

31 December 2020

Exchange rate risk (In thousands)	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	over 1 year
Sales expected in USD	**79,000**	49,000	28,000	2,000	-	-
Sales expected in JPY	**3,250,000**	1,300,000	1,300,000	650,000	-	-
Sales expected in GBP	**1,100**	500	600	-	-	-
Sales expected in MXN	**375,000**	175,000	150,000	50,000	-	-
Sales expected in CHF	**-**	-	-	-	-	-
Sales expected in AUD	**-**	-	-	-	-	-
Sales expected in CAD	**1,500**	1,500	-	-	-	-
Sales expected in CNY	**288,000**	80,000	148,000	60,000	-	-
Sales expected in HKD	**25,000**	25,000	-	-	-	-
Sales expected in SGD	**-**	-	-	-	-	-
Sales expected in KRW	**30,500,000**	8,000,000	14,000,000	8,500,000	-	-

The most important hedge, in terms of volumes of notional amounts in foreign currency being hedged, is aimed at mitigating the risk generated by fluctuations in the exchange rate between the Euro and the following currencies: US dollar, Chinese renminbi, Japanese yen, South Korean won, and Mexican peso.

From a time viewpoint, hedges lasting over one year show nil values as at 31 December 2021 as well as 31 December 2020. 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 2021 and 2020.

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

Expected highly probable sales

	Notional amount	Cash flow hedge reserve / change in fair value used to measure ineffectiveness	Carrying amount	
(in thousands of Euro)			Line item "other current assets"	Line item "other current liabilities"
31 December 2021	286,031	(8,426)	299	(10,521)
31 December 2020	168,971	6,740	5,502	(1,230)

Sensitivity Analysis

The sensitivity analysis carried out in order to assess the Group's exposure to exchange rate risk was undertaken on the basis of percentage increases and decreases in the exchange rates of the various currencies, proportional to their annual volatility, applied to all significant financial assets and liabilities expressed in original currencies. In particular, the analysis involved all currencies and the following items:

- exchange rate derivatives;
- trade and other receivables;
- trade and other payables;
- cash and cash equivalents;
- short- and long-term financial liabilities;
- short and long-term lease liabilities.

In addition, the table shows the most important effects and the related currencies and refers to the exposure to exchange rate risk in accordance with the requirements of IFRS 7 and therefore does not take into account the effects arising from the translation of financial statements of foreign companies whose functional currency is different from the Euro. Exchange rates were considered for currencies whose changes generate an impact on the income statement and shareholders' equity, in absolute terms, of over one million Euro.

31 December 2021

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
POSITIVE CHANGE	EUR/JPY	7.0%	Derivatives	3,373	2,014
			Non-derivatives	(144)	-
	EUR/USD	5.6%	Derivatives	2,669	8,826
			Non-derivatives	(108)	-
	EUR/KRW	7.6%	Derivatives	605	1,653
			Non-derivatives	(27)	
	EUR/CNY	4.3%	Derivatives	712	1,880
			Non-derivatives	(124)	-
	EUR/MXN	11.2%	Derivatives	1,001	1,393
			Non-derivatives	(194)	-
	EUR/SGD	4.4%	Derivatives	1,364	-
			Non-derivatives	4	-
Total				**9,131**	**15,766**

31 December 2021

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
NEGATIVE CHANGE	EUR/JPY	(7.0%)	Derivatives	(3,883)	(2,318)
			Non-derivatives	166	-
	EUR/USD	(5.6%)	Derivatives	(2,986)	(9,874)
			Non-derivatives	116	-
	EUR/KRW	(7.6%)	Derivatives	(704)	(1,924)
			Non-derivatives	31	-
	EUR/CNY	(4.3%)	Derivatives	(776)	(2,048)
			Non-derivatives	134	-
	EUR/MXN	(11.2%)	Derivatives	(1,253)	(1,744)
			Non-derivatives	243	-
	EUR/SGD	(4.4%)	Derivatives	(1,488)	-
			Non-derivatives	(3)	-
Total				**(10,403)**	**(17,908)**

31 December 2020

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
POSITIVE CHANGE	EUR/JPY	7.1%	Derivatives	2,773	1,701
			Non-derivatives	(235)	-
	EUR/USD	6.4%	Derivatives	5,352	3,844
			Non-derivatives	(106)	-
	EUR/KRW	9.2%	Derivatives	409	1,918
			Non-derivatives	(5)	-
	EUR/CNY	5.1%	Derivatives	869	1,726
			Non-derivatives	(58)	-
	EUR/MXN	13.0%	Derivatives	1,861	1,767
			Non-derivatives	(108)	-
	EUR/SGD	5.2%	Derivatives	1,274	-
			Non-derivatives	(15)	-
Total				**12,011**	**10,956**

31 December 2020

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
NEGATIVE CHANGE	EUR/JPY	(7.1%)	Derivatives	(3,196)	(1,960)
			Non-derivatives	260	-
	EUR/USD	(6.4%)	Derivatives	(6,078)	(4,365)
			Non-derivatives	117	-
	EUR/KRW	(9.2%)	Derivatives	(491)	(2,305)
			Non-derivatives	6	-
	EUR/CNY	(5.1%)	Derivatives	(961)	(1,909)
			Non-derivatives	63	-
	EUR/MXN	(13.0%)	Derivatives	(2,417)	(2,295)
			Non-derivatives	140	-
	EUR/SGD	(5.2%)	Derivatives	(1,413)	-
			Non-derivatives	16	-
Total				**(13,954)**	**(12,834)**

As the above table shows, a positive change in the listed exchange rates (EUR/JPY, EUR/USD, EUR/KRW, EUR/CNY, EUR/MXN, and EUR/SGD) would have resulted in a 9,131 thousand Euro profit and 12,011 thousand Euro profit as at 31 December 2021 and 31 December 2020, respectively; a negative change in exchange rates would have caused a 10,403 thousand Euro loss and 13,954 thousand Euro loss as at 31 December 2021 and 31 December 2020, respectively. The increase in shareholders' equity caused by derivative instruments designated as hedges as a result of the assumed positive exchange rate changes would have amounted to 15,766 thousand Euro and 10,956 thousand Euro as at 31 December 2021 and 31 December 2020, respectively; the decrease in shareholders' equity as a result of the assumed negative exchange rate changes would have totaled 17,908 thousand Euro and 12,834 thousand Euro as at 31 December 2021 and 31 December 2020, respectively. The sensitivity analysis carried out as described above, which is significantly affected by market volatility in the exchange rates considered, points to a material impact on the Group shareholders' equity from the potential change in the value of hedging derivatives. This is temporarily allocated to the cash flow hedge reserve and will be recognized through profit or loss in the following years when the expected sales occur. The higher or lower impact on the income statement and on equity in each of the years under consideration derives largely from the trend in the individual currencies at the reference dates and the change in the value of financial assets and liabilities exposed to fluctuations in exchange rates.

Liquidity risk

Liquidity risk represents the risk that the Group cannot meet its financial obligations due to problems in obtaining funds at current market price conditions (funding liquidity risk) or in liquidating assets on the market to find the necessary financial resources (asset liquidity risk). The first consequence is a negative impact on the income statement, should the Company be forced to incur additional costs to meet its commitments.

The factors which mainly influence the Group's liquidity are the resources generated or absorbed by current operating and investing activities, the possible distribution of dividends and the expiry and possibility of renewal of debt or the expiry and possibility of liquidation of financial investments of surplus cash. Liquidity needs or surpluses are monitored on a daily basis by the Parent company in order to guarantee effective sourcing of financial resources or adequate investment of liquidity.

The negotiation and management of credit lines is coordinated by the Parent company with the aim of satisfying the short and medium-term needs of the Group's individual companies according to efficiency and cost-effectiveness criteria. As at 31 December 2021, committed credit lines with a number of banks were outstanding for a total of 442,072 thousand Euro, including 356,505 thousand Euro that can be used on one or more occasions (revolving credit lines) and 85,567 thousand Euro in the form of medium/long-term loans, including 74,063 thousand Euro denominated in Euro and repayable according to a repayment schedule, and 11,505 thousand Euro denominated in foreign currency and fully repayable at maturity. As at the same date, there were also uncommitted short-term credit lines relating to the Parent company and some of its subsidiaries totaling 438,596 thousand Euro.

As at 31 December 2021, the Group had unused committed credit lines (as revolving credit lines or term loans) amounting to 352,287 thousand Euro and uncommitted lines totaling 389,399 thousand Euro, against gross debt of 138,982 thousand Euro and an adjusted net financial position amounting to a surplus of 372,759 thousand Euro (224,483 thousand Euro debt when considering also lease liabilities in accordance with IFRS 16). As at 31 December 2021, committed credit lines had a maximum residual maturity of forty-eight months and a weighted average residual maturity of thirty-five 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 four years. In general, the Group's committed credit lines (both revolving credit lines and term loans) that are currently outstanding do not require compliance with financial covenants. One exception is the loan agreement entered into with Intesa Sanpaolo S.p.A. on 24 July 2020, which includes a financial covenant that was comfortably complied with as at 31 December 2021. For more details, see note 22 Interest-bearing loans & borrowings - Limitations on the use of financial resources.

It has always been the Group's policy to sign and constantly maintain with various and diversified banks a total amount of committed credit lines that is considered consistent with the needs of the individual companies and suitable to ensure at any time the liquidity needed to satisfy and comply with all the Group's financial commitments, at the established economic conditions, as well as guaranteeing the availability of an adequate level of operational flexibility for any expansion programs. During 2020, in light of the emergency caused by the spread of Covid-19, the Group saw it fit to further strengthen its financial structure by increasing its committed lines with diversified counterparties; in 2021, considering the overall improvement in credit market conditions, the Group instead repaid part of the outstanding term loans early. As it has in the past, the Group used a significant part of its cash surplus in order to take out intercompany loans, which are regulated at current market conditions. As a result, the following were outstanding as at 31 December 2021: the term loan related to the subsidiary Ferragamo Japan K.K., which can be fully repaid at maturity and had a residual maturity of nineteen months, and the 125,000 thousand Euro term loan related to the Parent company, with approximately 74,000 thousand Euro outstanding, repayable according to a repayment schedule, and with a final residual maturity of forty-three months. Cash surpluses are used with reference banks in short-term (usually between one day and twenty-four months) time deposit transactions, referring to the Euribor/Libor rate for the period or the benchmark of the investment currency on the specific interbank market. Liquidity investments are carried out with the prime objectives of making resources available at short notice (in the event of maturities longer than three months, the relevant contracts allow promptly liquidating them without penalties) and neutralizing the risk of capital losses, avoiding speculative transactions.

In seeking ever greater efficiency, also during 2021, the Group used a significant part of its cash surplus in order to take out intercompany loans, which are regulated at current market conditions, so as to contain the increase in average gross bank debt as well as financial charges at a consolidated level and limit the credit risk connected with the investment of liquidity with banks.

These choices, which also take account of the likely future trend in cash flows together with prompt renegotiation of credit lines (even before their expiry), enable a significant reduction in the exposure to the risk under review and allow to adjust the cost of debt to the best market conditions. The Group has constantly maintained access to a wide range of financing sources at competitive costs, despite the external scenario, which continues to be characterized by rigidity in the credit market. Despite the Group's capacity to generate high cash flows from current operations, the constant availability of an adequate amount of committed credit lines allowed the Group to calmly face the most turbulent market phases and volatility in credit flows. The total financial position of each company and that of the Group overall is measured every month, and compared with the latest Budget/Forecast. Management believes that the funds and credit lines currently available, with the addition of the funds which are likely to be generated from current operations, will enable the Group to safely address the repayment of loans at their natural expiries and to meet the needs arising from investment activities and working capital management.

Liquidity risk – Maturity analysis

31 December 2021

(In thousands of Euro)	< 3 months	3-12 months	1-5 years	> 5 years	Total
Trade payables	178,983	4,809	-	-	183,792
Payables to banks	64,743	11,290	64,458	-	140,491
Lease liabilities	31,803	87,483	347,011	183,656	649,953
Guarantee deposits	74	22	184	110	390
Derivatives – non-hedging component	676	6	-	-	682
Derivatives – hedging component	6,359	10,897	-	-	17,256
Total	**282,638**	**114,507**	**411,653**	**183,766**	**992,564**

31 December 2020

(In thousands of Euro)	< 3 months	3-12 months	1-5 years	> 5 years	Total
Trade payables	130,238	6,161	-	-	136,399
Payables to banks	45,885	11,602	132,863	-	190,350
Payables to third parties	3,629	-	-	-	3,629
Lease liabilities	30,011	82,233	316,744	193,076	622,064
Guarantee deposits	108	-	190	102	400
Derivatives – non-hedging component	93	65	-	-	158
Derivatives – hedging component	587	1,940	-	-	2,527
Total	**210,551**	**102,001**	**449,797**	**193,178**	**955,527**

The analysis conducted on the items representing financial liabilities showed maturities distributed over time, with trade payables concentrated within three months. In 2021, payables to banks had a maximum residual maturity below 5 years.
The reported financial assets have a shorter remaining life, as they mostly relate to cash and cash equivalents.

Credit risk

Credit risk represents the Company's exposure to potential losses arising from failure to meet trade or financial obligations taken on by counterparties. The Group's exposure to credit risk depends on the nature of the activities which have generated the relevant receivables. The Group's exposure to trade credit risk refers exclusively to wholesale sales and the receivables associated with licensing revenues, which combined represent nearly 27 percent of global turnover; the rest refers to retail sales, which are paid with cash or credit and debit cards at the time of purchase. Trade receivables mainly refer to wholesale sales and are generally due in 90 days or less. The Group generally favors trade dealings with customers with whom it has well-established and consolidated relations. It is the Group's policy to check credit ratings of customers who ask for extended payment terms, based both on information which can be obtained from specialist agencies and on the observation and analysis of historical data of established customers. In addition, the balance of trade receivables is constantly monitored during the year in order to ensure prompt intervention and to reduce the risk of losses. The allocation of the credit risk among a number of customers helps to further mitigate the risk.

Trade receivables are recorded net of write-downs, which are estimated based on the counterparty's insolvency risk, determined by considering the information available on the customer's solvency, historical data, and forecast economic conditions.

Besides obtaining, where possible, guarantees from wholesale customers or the adoption of means of payment which are less risky for the creditor, such as documentary letters of credit, another instrument used to manage commercial credit risk is the subscription of insurance policies, with the aim of preventing the risk of non-payment through careful selection of the customer portfolio jointly with the insurance companies, which agree to guarantee payment of the indemnity in the case of insolvency.

In general, the Company believes that the credit risk management policies implemented enabled overdue and bad debts, which required the adoption of legal credit collection measures, to be kept within reasonable limits.

The credit risk connected to financing, investing and operating activities in derivatives to hedge the exchange rate risk is represented by the inability of the counterparty or the issuer of the instruments to meet their contractual obligations, i.e. the so-called counterparty risk. The Group manages this type of risk by selecting counterparties with high credit ratings and who are considered solvent by the market and with whom it has routine and ongoing trade and banking service relations and by diversifying the accounting currency of surplus cash.
The Group negotiated and entered into master agreements, in accordance with the international standards (ISDA Master Agreement), with all counterparties of derivatives, in order to regulate the various cases.

The credit risk regarding the Group's other financial assets, consisting of cash and cash equivalents, available-for-sale financial assets and some derivatives, has a risk equal to the book value of these assets in case of insolvency of the counterparty.

Exposure to credit risk

	31 December 2021		31 December 2020	
(In thousands of Euro)	Current portion	Non current portion	Current portion	Non current portion
Receivables and loans				
Receivables from others (M/L term)	-	-	892	650
Trade receivables	112,670	-	113,909	-
Receivables due from credit cards	12,359	-	6,213	-
Cash and cash equivalents	511,796	-	327,880	-
Guarantee deposits	-	15,659	-	15,574
Other current financial assets	-	-	279	-
Derivatives	922	-	7,165	-
Total	**637,747**	**15,659**	**456,338**	**16,224**

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 2021 and 31 December 2020, and is almost exclusively limited to the current portion. The non current portion refers entirely to the item 'Guarantee deposits', which mainly includes the cash deposits made by various entities for property lease contracts and is recognized at nominal value.

Concentration of credit risk by geographic area

(In thousands of Euro)	31 December 2021	%	31 December 2020	%
Italy	22,336	19.8%	29,537	25.9%
Europe	12,804	11.4%	8,954	7.9%
North America	15,544	13.8%	14,063	12.3%
Japan	7,622	6.8%	9,964	8.8%
Asia Pacific	47,718	42.3%	42,061	36.9%
Central and South America	6,646	5.9%	9,330	8.2%
Total	**112,670**	**100.0%**	**113,909**	**100.0%**

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

Analysis on receivables' expiry dates

(In thousands of Euro)	Receivables neither past due nor impaired	Receivables past due but not impaired					Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days	
31 December 2021	105,456	4,204	1,091	560	74	1,285	**112,670**
31 December 2020	100,918	6,917	2,454	987	477	2,156	**113,909**
Figures in % as at 31 December 2021	93.6%	3.7%	1.0%	0.5%	0.1%	1.1%	**100.0%**
Figures in % as at 31 December 2020	88.6%	6.1%	2.1%	0.9%	0.4%	1.9%	**100.0%**

The analysis carried out on the maturity dates of receivables which are past due but not impaired shows they are concentrated within thirty days for the years ended 31 December 2021 and 31 December 2020.

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

	2021	2020
Percentage of revenues with the biggest customer	1.7%	1.5%
Percentage of revenues with the 3 biggest customers	4.9%	4.2%
Percentage of revenues with the 10 biggest customers	12.0%	9.6%

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 2021 and 2020. To this end, the Group's capital management aims to, among other things, ensure compliance with the covenants associated with financial payables to banks that define capital structure requirements.

The Group includes under net debt, interest-bearing loans, lease liabilities, other financial payables, trade and other payables, net of cash and cash equivalents.

Other financial payables include agreements for the purchase of minority interests (reference should be made to note 43), although these amounted to zero as at 31 December 2021 and 31 December 2020.

The table does not include the values and related effects produced by the derivatives used to manage exchange rate risk.

(In thousands of Euro)	31 December 2021	31 December 2020
Interest-bearing loans	139,120	186,000
Lease liabilities	597,242	567,909
Other financial payables	-	3,629
Trade and other payables (net of hedging derivatives)	227,515	164,108
Cash and cash equivalents	511,796	327,880
Net debt	**452,081**	**593,766**
Group shareholders' equity (net of the cash flow hedge reserve)	770,717	688,459
Minority interests	21,566	16,114
Shareholders' equity (net of the cash flow hedge reserve)	**792,283**	**704,573**
Shareholders' equity and net debt	**1,244,364**	**1,298,339**
Net debt/Shareholders' equity	**57.1%**	**84.3%**

4. Impacts of the Covid-19 Emergency

Over the last two years, the world economy has been significantly affected by the outbreak of the pandemic caused by the novel coronavirus, known as Covid-19. During 2020, this situation has led governments around the world to restrict and suspend business operations, the movement of people, and international traffic (so-called lockdown). This had an especially negative impact on tourist flows across the globe, causing most of the Group's distribution network to shut down. 2021 was also dominated by the Covid-19 pandemic, which continued affecting the world economy and limiting travel and international tourism. The impact has varied across markets, which were influenced by several factors – including the containment measures taken by the various governments, the different timing of when variants of the virus spread, and the progress on vaccination campaigns, which are still ongoing.

Although the situation remains uncertain and it is hard to make forecasts for the medium term, the Salvatore Ferragamo Group's results for the year 2021 point to a remarkably positive trend in both revenues (+29.5% at current exchange rates and +31.4% at constant exchange rates compared to 2020) and margins, driven by the retail channel's strong performance (+30.2% at current exchange rates compared to 2020, accounting for 73.0% as a percentage of total revenues). Adjusted operating profit/(loss) was up from a 28.1 million Euro loss in 2020 to a 143.5 million Euro adjusted operating profit in 2021, as the improvement in gross margin was more than proportionate toe the rise in operating costs supporting growth – also because of the steps promptly taken by the Group's management as soon as in 2020 to mitigate the negative impact of the crisis triggered by the Covid-19 pandemic.

The Group also received government grants and subsidies where possible. Personnel costs were down 15.0% in 2021 compared to the prior-year period, largely because of the economic recovery and, to a lesser extent than in 2020, government benefits and subsidies, such as employment support measures.
The Group continued benefiting from negotiations to revise the terms and conditions of the leases of its distribution network, resulting in a 6,785 thousand Euro positive variable lease payment in 2021 (19,729 thousand Euro in 2020) that was directly recognized through profit or loss (mainly under "Sales and distribution costs").

In 2021, the Group drew a net total of 8,190 thousand Euro from the provision for obsolete inventory, compared to net write-downs amounting to 28,521 thousand Euro in 2020 (see note 14 Inventories in the Explanatory Notes to the Consolidated Financial Statements). The provision for bad debt, to which the Group allocated 277 thousand Euro in 2021 (528 thousand Euro in 2020, was adjusted in accordance with the risk assessments relating to the current situation (see note 16 Trade receivables in the Explanatory Notes to the Consolidated Financial Statements). As for the analysis of liquidity and credit risks, see note 3 Management of financial risks.

Impairment losses and reversals

Concerning the identification of indicators of potential impairment losses as at 31 December 2021 (so-called trigger events), please note that in 2021, although the pandemic continues affecting the global economic outlook, the available forecasts regarding scenarios in the foreseeable future are consistent with the assumptions used in preparing the impairment tests for the Group's consolidated financial statements as at 31 December 2020. Therefore, the Group did not identify any indicators of potential impairment losses as at 31 December 2021 (so-called trigger events), in other than the impairment losses already recognized in 2020.

Considering the lingering uncertainty over the economic scenario in which the Group operates, which is still affected by the Covid-19 pandemic, please note that, concerning the assets tested for impairment as at 31 December 2020 and on which the Group had recognized an impairment loss, in 2021 the Group decided not to calculate any reversal.

Personnel

In response to the continuing Covid-19 pandemic, the measures protecting the health of employees at both offices and directly operated stores remained in place throughout 2021; specifically, the safety protocols defined in 2020 remained in place, updated as necessary, and the Group maintained a supplemental health insurance policy for Italian employees covering symptoms associated with Covid-19. In October 2021, as required by law, the Group started systematically checking for Green pass certificates in the workplace at its offices and stores in Italy.

Smart-working, introduced as an experiment in 2019 and expanded also to protect the health of employees at both the Italian offices as well as the offices of the Group's foreign entities, remained in use, making it flexible in accordance with the evolution of the pandemic.

Finally, the Group applied for state aid in certain geographies throughout the year.

5. Business combinations and purchases of minority interests

As already mentioned, on 16 April 2021, Salvatore Ferragamo S.p.A. and Ferragamo Parfums S.p.A. executed the deed of Merger of Ferragamo Parfums S.p.A. into Salvatore Ferragamo S.p.A., filed with the Company Register on 21 April 2021. The merger is effective retroactively to 1 January 2021 for accounting and tax purposes and effective 1 May 2021 for legal purposes.

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

6. Discontinued operation

In June 2021, Salvatore Ferragamo S.p.A. announced it had entered into exclusive negotiations with Inter Parfums, Inc., a manufacturer and distributor of high-quality fragrances and cosmetics. On 7 July 2021, the parties defined and agreed the terms of the transfer of the fragrances business and the grant of an exclusive global license. Starting with the Half-year report as at 30 June 2021 of the Salvatore Ferragamo S.p.A. Group, as the sale was highly likely, the assets and operations associated with the fragrances business were classified as assets and liabilities held for sale – first as operation to be disposed of, and then as discontinued operation, since they met the requirements under IFRS 5. The company Parfums Italia S.r.l., wholly-owned by Salvatore Ferragamo S.p.A., was set up on 8 September 2021, and on 27 September 2021, effective 30 September 2021, Salvatore Ferragamo S.p.A. resolved to increase the company's share capital to 17,138,000 Euro by contributing the assets and liabilities associated with the fragrances business. The transfer of the fragrances business to the Inter Parfums, Inc. group closed on 1 October 2021, with the sale of all shares in the newly-established entity Parfums Italia S.r.l. to Inter Parfums, Inc. at a price equal to the value of the entity's equity and with the grant of an exclusive global license to produce and distribute Ferragamo-branded fragrances. The agreement will have an initial term of 10 years. Inter Parfums, Inc. will operate through the acquired Italian entity and ensure production remains in Italy. The transaction was structured to give additional momentum to the fragrances business, maintaining the brand's values and heritage with products made in Italy and selective distribution aligned with the brand's positioning. For further details, reference should be made to the Directors' report on operations, paragraph Significant events occurred during the year.

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

The financial performance of the discontinued operation for 2021 and the comparative period are presented net of intragroup transactions..

Below is the financial performance of the discontinued fragrances business for the year ended 31 December 2021 and 31 December 2020:

(In thousands of Euro)	2021	2020
Revenues from contracts with customers	31,310	39,313
Revenues	**31,310**	**39,313**
Cost of goods sold	(24,499)	(25,086)
Gross profit	**6,811**	**14,227**
Style, product development and logistics costs	(869)	(1,156)
Sales & distribution costs	(5,270)	(7,925)
Marketing & communication costs	(3,687)	(3,713)
General and administrative costs	(392)	(428)
Other operating costs	(2,033)	(566)
Other income and revenues	465	785
Operating profit/(loss)	**(4,975)**	**1,224**
Financial charges	(107)	(770)
Financial income	52	628
Profit/(loss) before taxes	**(5,030)**	**1,082**
Income taxes	(162)	-
Profit/(loss) from discontinued operation, net of tax	**(5,192)**	**1,082**
Basic earnings per share from discontinued operation – ordinary shares (Euro)	**(0.031)**	**0.006**
Diluted earnings per share from discontinued operation – ordinary shares (Euro)	**(0.031)**	**0.006**

The loss from the discontinued operation for 2021 totaled 5,192 thousand Euro, including the 4.5 million Euro loss (relating mainly to inventories and industrial and commercial equipment) for the measurement at the lower of the carrying amount and fair value less costs to sell, calculated based on the agreements with Inter Parfums, Inc..

Below are the net cash flows from the discontinued fragrances business for the year ended 31 December 2021 and 31 December 2020:

(In thousands of Euro)	2021	2020
Net cash provided by/(used in) operating activities	1,939	(6,974)
Net cash provided by/(used in) investing activities	16,992	(387)
Net cash provided by/(used in) financing activities	-	12,247
Net cash and cash equivalents generated	**18,931**	**4,886**

Below are the assets and liabilities sold by the Group as part of the deal and the relevant consideration received:

(In thousands of Euro)	
Property, plant and equipment	(1,375)
Other non current assets	(650)
Inventories	(15,340)
Other current assets	(588)
Employee benefit liabilities	509
Other current liabilities	316
Net (assets) and liabilities	**(17,128)**
Consideration received	17,138
Cash and cash equivalents sold	(10)
Net cash and cash equivalents generated	**17,128**

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

7. Property, plant and equipment

The breakdown of Property, plant and equipment as at 31 December 2021 and 2020 is shown in the following table:

	31 December 2021			31 December 2020		
(In thousands of Euro)	Historical Cost	Acc. depreciation and Impairment	Net value	Historical Cost	Acc. depreciation and Impairment	Net value
Land	29,371	-	29,371	29,144	-	29,144
Buildings	98,960	42,280	56,680	96,548	37,829	58,719
Plant and equipment	57,626	40,485	17,141	56,850	35,489	21,361
Industrial and commercial equipment	124,940	104,632	20,308	131,165	109,468	21,697
Other assets	79,773	71,281	8,492	76,444	65,797	10,647
Leasehold improvements	290,761	243,845	46,916	264,076	228,178	35,898
Fixed assets in progress and payments on account	7,946	-	7,946	5,655	-	5,655
Total	**689,377**	**502,523**	**186,854**	**659,882**	**476,761**	**183,121**

The following tables show the changes in property, plant and equipment for the years ended 31 December 2021 and 2020:

(In thousands of Euro)	Value at 01.01.2021	Translation diff.	Additions	Disposals	Depreciation	Reclass.	Impairment	Assets disposed of	Value at 31.12.2021
Land	29,144	227	-	-	-	-	-	-	29,371
Buildings	58,719	315	520	-	(2,874)	-	-	-	56,680
Plant and equipment	21,361	8	714	-	(4,942)	-	-	-	17,141
Industrial and commercial equipment	21,697	1,000	8,076	(294)	(7,459)	-	(37)	(2,675)	20,308
Other assets	10,647	143	2,774	(39)	(5,033)	-	-	-	8,492
Leasehold improvements	35,898	2,086	27,016	(471)	(17,585)	(28)	-	-	46,916
Fixed assets in progress and payments on account	5,655	448	11,138	(9,295)	-	-	-	-	7,946
Total	**183,121**	**4,227**	**50,238**	**(10,099)**	**(37,893)**	**(28)**	**(37)**	**(2,675)**	**186,854**

(In thousands of Euro)	Value at 01.01.2020	Translation diff.	Additions	Disposals	Depreciation	Impairment	Acq. in Business combinations	Value at 31.12.2020
Land	29,696	(552)	-	-	-	-	-	29,144
Buildings	61,758	(419)	350	-	(2,970)	-	-	58,719
Plant and equipment	26,057	(15)	699	(22)	(5,406)	(6)	54	21,361
Industrial and commercial equipment	32,251	(1,303)	7,615	(596)	(11,521)	(4,749)	-	21,697
Other assets	15,300	(229)	2,053	(125)	(6,361)	(24)	33	10,647
Leasehold improvements	82,663	(2,326)	11,110	(724)	(26,366)	(28,459)	-	35,898
Fixed assets in progress and payments on account	4,080	(479)	10,193	(8,139)	-	-	-	5,655
Total	**251,805**	**(5,323)**	**32,020**	**(9,606)**	**(52,624)**	**(33,238)**	**87**	**183,121**

The increase, net of the decrease in Fixed assets in progress and payments on account:

- in “Buildings, plant and equipment” largely refers to improvements implemented during 2021 at the Osmannoro – Sesto Fiorentino facility, owned by Salvatore Ferragamo S.p.A., and the property owned by Ferragamo USA Inc.;
- in “Industrial and commercial equipment” mainly refers to the opening and renovation of stores (7,940 thousand Euro) and the purchase of equipment and molds (136 thousand Euro) for the fragrances product category, subsequently classified as assets to be disposed of and sold to Inter Parfums, Inc. as part of the sale of the fragrances business;
- in “Other assets” mainly refers to IT equipment (1,983 thousand Euro) and furniture and furnishings (635 thousand Euro);
- in “Leasehold improvements” refers mainly to work carried out for the opening or refurbishment of stores;
- in “Fixed assets in progress and payments on account” refers largely to expenses incurred and payments on account made for the renovation and opening of stores not yet operational as at the reporting date.

The increase in Tangible assets under Leasehold improvements, (recognized against the Provision for future operating risks and charges, note 23), included the costs for the restoration of premises leased from third parties, which amounted to 4,476 thousand Euro in 2021 (621 thousand Euro in 2020).

Disposals mainly refer to assets (not fully depreciated) relating to stores which have been renovated or closed during the year.

As envisaged by the analysis procedure for impairment indicators adopted by the Group, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources, considering also the impairment losses recognized as at 31 December 2020 on Property, plant and equipment after testing the assets for impairment. 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. The Group constantly monitors the latest government regulations on climate-related topics. At the moment, no law that materially affects the Group has been passed; should a change become necessary, the Group will adjust the key assumptions used in estimates. The 37 thousand Euro impairment loss on Industrial and commercial equipment, included in Net profit/(loss) from discontinued operation, represents the impairment recognized on tangible assets associated with the fragrances business, which the Group believes will no longer be useful to its operations. From the analyses carried out no need emerged to recognize any further impairment or revaluations on these items.

The 2,675 thousand Euro decline in Assets to be disposed of refers to the disposal of Industrial and commercial equipment (mainly molds) relating to the fragrances business. These were sold to Inter Parfums, Inc. and meet the requirements under IFRS 5. Said amount was subsequently adjusted to the fair value, totaling 1,375 thousand Euro, emerged from the agreement with Inter Parfums, Inc., recognizing the impairment loss under Profit/(loss) from discontinued operations. For more details, see note 6 in these Consolidated Financial Statements.

8. Investment property

The breakdown of the item as at 31 December 2021 and 2020 is set out in the following table:

(In thousands of Euro)	31 December 2021			31 December 2020		
	Historical Cost	Accumulated depreciation	Net value	Historical Cost	Accumulated depreciation	Net value
Land	4,942	-	4,942	4,561	-	4,561
Buildings	11,639	11,402	237	10,743	10,245	498
Right-of-use assets - Buildings	98,858	73,814	25,044	91,245	64,480	26,765
Total	**115,439**	**85,216**	**30,223**	**106,549**	**74,725**	**31,824**

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

Please note that the right-of-use assets qualifying as investment property are classified in this line item and amounted to 25,044 thousand Euro as at 31 December 2021.

The following tables show the change in investment property for the years ended 31 December 2021 and 2020:

(In thousands of Euro)	Value at 01.01.2021	Translation difference	Additions	Depreciation	Value at 31.12.2021
Land	4,561	381	-	-	4,942
Buildings	498	29	-	(290)	237
Right-of-use assets: - Buildings	26,765	2,065	-	(3,786)	25,044
Total	**31,824**	**2,475**	**-**	**(4,076)**	**30,223**

(In thousands of Euro)	Value at 01.01.2020	Translation difference	Additions	Depreciation	Value at 31.12.2020
Land	4,982	(421)	-	-	4,561
Buildings	887	(52)	-	(337)	498
Right-of-use assets: - Buildings	33,222	(2,536)	-	(3,921)	26,765
Total	**39,091**	**(3,009)**	**-**	**(4,258)**	**31,824**

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.

9. Goodwill

The amount of Goodwill was entirely acquired in 2020 through the business combination of Arts S.r.l. and Aura 1 S.r.l. and is attributable to the synergies and other economic benefits arising from the combination of the assets of the acquirees with those of Salvatore Ferragamo S.p.A., with respect to the design and manufacturing of men's footwear. Net of the fair value of the assets acquired and liabilities assumed, the residual amount allocated to goodwill arising from the acquisition totaled 6,679 thousand Euro. This item was unchanged in 2021.

	31 December 2021			31 December 2020		
(In thousands of Euro)	Historical Cost	Impairment	Net value	Historical Cost	Impairment	Net value
Goodwill	6,679	-	6,679	6,679	-	6,679
Total	**6,679**	**-**	**6,679**	**6,679**	**-**	**6,679**

The following table shows the change in goodwill for the years ended 31 December 2021 and 2020:

(In thousands of Euro)	Value at 01.01.2021	Additions	Disposals	Value at 31.12.2021
Goodwill	6,679	-	-	6,679
Total	**6,679**	**-**	**-**	**6,679**

(In thousands of Euro)	Value at 01.01.2020	Additions	Disposals	Acq. in Business combinations	Value at 31.12.2020
Goodwill	-	-	-	6,679	6,679
Total	**-**	**-**	**-**	**6,679**	**6,679**

As required by the procedure for analyzing impairment indicators adopted by the Group, goodwill is tested annually to determine the recoverable amount. The impairment test was conducted by grouping CGUs at the Group level as a whole.

In reviewing its impairment indicators, the Group considers, among other factors, the ratio of its market capitalization to book value. As at 31 December 2021, the Group's market capitalization comfortably exceeded the book value of equity, ruling out the existence of an impairment indicator.

The value used to determine the recoverable amount of the CGU is the value in use. This was calculated based on expected cash flows, which were discounted at an appropriate rate (Discounted cash-flow- DCF analysis).

The DCF analysis was performed based on the budget for the year 2022, prepared and approved by the Board of Directors of Salvatore Ferragamo S.p.A.; as for the two following explicit forecast years, the Group used the business plans prepared by management, which represent the best estimate the Group can make of the economic conditions expected for the period.

The main assumptions to determine the recoverable amount are given below:

- Terminal Value: determined using the perpetuity model with a long-term growth rate "g" which represents the present value, in the final projected year, of all the expected future cash flows.
- Growth rate "g": 1.9%, which was assumed to be equal to the rate of inflation expected to prevail over the medium – long term in the main markets where the Group operates;
- Discount rate (Weighted Average Cost of Capital, WACC): equal to 8.07%; considering the Group's positive net financial position, it is based on government bond yields in the main markets where the Group operates, adjusted to account for the risk premium expected by investors for the specific investment in equity instruments as well as the correlation of such instruments to the relevant market.

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

The sensitivity analysis of the above material assumptions used to determine the recoverable amount, performed on goodwill, did not yield different results in terms of recoverable amount, even when considering substantial changes in the parameters.

10. Right-of-use assets

The following table shows the breakdown of Right-of-use assets as at 31 December 2021:

(In thousands of Euro)	31 December 2021			31 December 2020		
	Historical Cost	Accumulated depreciation	Net value	Historical Cost	Accumulated depreciation	Net value
Buildings	812,842	314,910	497,932	708,803	236,512	472,291
Vehicles	4,334	2,298	2,036	4,377	1,771	2,606
Equipment and other assets	788	709	79	795	452	343
Total	**817,964**	**317,917**	**500,047**	**713,975**	**238,735**	**475,240**

The following table shows the changes in right-of-use assets for the years ended 31 December 2021 and 2020.

(In thousands of Euro)	Value at 01.01.2021	Translation difference	Additions	Disposals	Depreciation	Value at 31.12.2021
Buildings	472,291	21,615	119,789	(10,928)	(104,835)	497,932
Vehicles	2,606	4	919	(5)	(1,488)	2,036
Equipment and other assets	343	1	2	-	(267)	79
Total	**475,240**	**21,620**	**120,710**	**(10,933)**	**(106,590)**	**500,047**

(In thousands of Euro)	Value at 01.01.2020	Translation difference	Additions	Disposals	Depreciation	Value at 31.12.2020
Buildings	573,771	(20,639)	71,406	(38,129)	(114,118)	472,291
Vehicles	2,072	(12)	1,890	(39)	(1,305)	2,606
Equipment and other assets	612	(1)	-	-	(268)	343
Total	**576,455**	**(20,652)**	**73,296**	**(38,168)**	**(115,691)**	**475,240**

The line item Buildings includes Right-of-use assets largely relating to leases of stores (accounting for approximately 93% of right-of-use assets - Buildings) and, to a lesser extent, leases of offices, company lodgings, and other premises. The largest increases observed during the year refer to new leases entered into during the period—largely concerning stores—whereas the most significant declines relate to leases that were either terminated early or for which the Group negotiated a reduction in future lease payments.

The increase in Right-of-use assets - Buildings, recognized against the Provision for future operating risks and charges (note 23), included the costs for the restoration of premises leased from third parties under leases that fall within the scope of IFRS16, which amounted to 933 thousand Euro in 2021 (473 thousand Euro in 2020).

For more details on cash outflows related to leases, see notes 26 Lease Liabilities and 36 Breakdown by nature of income statement cost items.

As envisaged by the analysis procedure for impairment indicators adopted by the Group, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources. External sources typically consist of changes in the technological, economic and legal framework in which the Company operates. Internal sources are corporate strategies which can change decisions about the location of stores.

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

11. Intangible assets with a finite useful life

The breakdown of intangible assets with a finite useful life as at 31 December 2021 and 2020 is shown in the following table:

(In thousands of Euro)	31 December 2021			31 December 2020		
	Historical Cost	Acc. amortization and Impairment	Net value	Historical Cost	Acc. amortization and Impairment	Net value
Industrial patents and use of intellectual property rights	29,019	27,996	1,023	31,234	29,200	2,034
Concessions, licenses and trademarks	9,028	7,370	1,658	9,953	8,267	1,686
Development costs	85,028	63,928	21,100	78,852	53,745	25,107
Others	28,455	22,155	6,300	27,395	20,130	7,265
Intangible assets with a finite useful life in progress	3,342	-	3,342	2,799	-	2,799
Total	**154,872**	**121,449**	**33,423**	**150,233**	**111,342**	**38,891**

The following tables show the changes in intangible assets with a finite useful life for the years ended 31 December 2021 and 2020:

(In thousands of Euro)	Value at 01.01.2021	Translation diff.	Additions	Disposals	Amortization	Reclass.	Impairment	Value at 31.12.2021
Industrial patents and use of intellectual property rights	2,034	17	344	-	(1,194)	28	(206)	1,023
Concessions, licenses and trademarks	1,686	-	340	-	(368)	-	-	1,658
Development costs	25,107	-	6,178	(1)	(10,184)	-	-	21,100
Others	7,265	74	285	-	(1,324)	-	-	6,300
Intangible assets with a finite useful life in progress	2,799	1	7,497	(6,955)	-	-	-	3,342
Total	**38,891**	**92**	**14,644**	**(6,956)**	**(13,070)**	**28**	**(206)**	**33,423**

(In thousands of Euro)	Value at 01.01.2020	Translation diff.	Additions	Disposals	Amortization	Impairment	Acq. in Business combinations	Value at 31.12.2020
Industrial patents and use of intellectual property rights	3,130	(34)	968	(3)	(2,041)	-	14	2,034
Concessions, licenses and trademarks	1,717	-	334	-	(365)	-	-	1,686
Development costs	26,763	-	8,570	-	(10,227)	-	1	25,107
Others	4,259	(104)	53	-	(1,491)	(1,832)	6,380	7,265
Intangible assets with a finite useful life in progress	6,615	-	5,120	(8,936)	-	-	-	2,799
Total	**42,484**	**(138)**	**15,045**	**(8,939)**	**(14,124)**	**(1,832)**	**6,395**	**38,891**

In 2021, intangible assets with a finite useful life, net of the decrease in Intangible assets with a finite useful life in progress, rose mainly due to new investment in software application development costs (recognized under "Development costs") and software license costs (item "Industrial patents and use of intellectual property rights"), net of the amortization for the period.

The item "Development costs" mainly includes the capitalization of software development costs for the development of business software applications (SAP accounting system, ERP, reporting systems, development costs of the e-commerce platform and of a new SAP-based logistics/distribution system). As at 31 December 2021, the Group reported no intangible assets arising from internal development.

The item "Others" primarily includes the Know – how arising from the fair value measurement of the assets acquired and liabilities assumed in the business combination with Arts S.r.l. and Aura 1 S.r.l., which occurred in 2020 (net amount of 4,984 thousand Euro as at 31 December 2021); the item "Others" includes also 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 (net amount of 602 thousand Euro as at 31 December 2021). The following table provides the breakdown by geographical area of the net book value of the key money item as at 31 December 2021 and 2020:

(In thousands of Euro)	31 December 2021	31 December 2020
Europe	424	509
North America	178	444
Total	**602**	**953**

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, also as a result of the impairment losses recognized as at 31 December 2020 on Intangible assets with a finite useful life after testing the assets for impairment. External sources typically consist of changes in the technological, economic and legal framework in which the Company operates. Internal sources are corporate strategies which can change the use of intellectual property and software, and with reference to key money, they consist of the economic benefit to the Group arising from the geographic area served by the store for which this cost has been incurred. The 206 thousand Euro impairment loss on Industrial patents and use of intellectual property rights refers to software licenses which the Group believes will no longer be useful to its operations. From the analyses carried out no need emerged to recognize any further impairment or revaluations on these items.

12. Other non current assets

The breakdown of the item "Other non current assets" as at 31 December 2021 and 31 December 2020 is set out in the following table:

(In thousands of Euro)	31 December 2021	31 December 2020	Change 2021 vs 2020
Advances to suppliers	-	650	(650)
Due from tax authorities	1,915	1,076	839
Other non current assets	3,817	792	3,025
Total	**5,732**	**2,518**	**3,214**

Due from tax authorities refer to the non current portion of the Research and Development, design and aesthetic conception, and technological innovation tax credit as well as the "Art Bonus" tax credit to promote donations in support of cultural activities and the Tax credit for investments in operating assets, which the Parent company was eligible for.

The item "Other non current assets" mainly includes the long-term portion of the contributions to customers relating to the fit-out of tailored single brand stores and/or stores-in-stores for 3,091 thousand Euro, and the impact relating to the straight-line charging of lease income from operating leases in the USA for 726 thousand Euro, as provided for by the relevant standards. This was down from 792 thousand Euro as at 31 December 2020.

As at 31 December 2020, the item "Advances to suppliers" included 650 thousand Euro relating to the non current portion of advances of royalties originally paid by Ferragamo Parfums S.p.A. to the owner of the Ungaro fragrances brand. These were then transferred to the newly-established entity Parfums Italia S.r.l., which was eventually sold to Inter Parfums, Inc. as part of the sale of the fragrances business. For more details, see note 6 Discontinued operation in these Consolidated Financial Statements.

13. Other non current financial assets

"Other non current financial assets", totaling 15,659 thousand Euro (15,574 thousand Euro as at 31 December 2020), refer to guarantee deposits, mainly for existing rental contracts, and are accounted for at amortized cost.

14. Inventories

Inventories include the following categories:

(In thousands of Euro)	31 December 2021	31 December 2020	Change 2021 vs 2020
Gross value of raw materials, accessories and consumables	41,069	42,250	(1,181)
Provision for obsolete inventory	(4,010)	(7,779)	3,769
Raw materials, accessories and consumables	**37,059**	**34,471**	**2,588**
Gross value of finished products and goods for resale	309,359	383,469	(74,110)
Provision for obsolete inventory	(71,852)	(76,304)	4,452
Finished products and goods for resale	**237,507**	**307,165**	**(69,658)**
Total	**274,566**	**341,636**	**(67,070)**

The change in raw materials compared to 2020 depends on production volumes for the period; the relevant provision reflects the obsolescence of raw materials (mainly leather goods and accessories) which are no longer deemed suitable for the production plans. Inventories of finished products were down 69,658 thousand Euro from 31 December 2020 (-22.7%), partly because of greater operational efficiency, and partly due to the disposal of the inventories associated with the fragrances business, totaling 6,616 thousand Euro (for the details, see note 6 Discontinued operation). For a better understanding of how the above provisions for obsolete inventory were calculated, please see note 2 “Basis of presentation” paragraph Discretionary valuations and significant accounting estimates.

Net (uses) of and/or allocations to the provision for obsolete inventory were as follows, net of the allocations / (uses) associated with the fragrances business – recognized under Net profit/(loss) from discontinued operation:

(In thousands of Euro)	2021	2020 Restated*	Change 2021 vs 2020 Restated
Raw materials	(1,260)	1,067	(2,327)
Finished products	(6,930)	27,454	(34,384)
Total	**(8,190)**	**28,521**	**(36,711)**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

15. Right of return assets

Concerning the right of return as per "Revenue from contracts with customers", the line item "Right of return assets", amounting to 5,224 thousand Euro (4,545 thousand Euro as at 31 December 2020), includes the estimated cost of the products expected to be returned, equal to the lower of the previous carrying amount of inventories (estimated cost of production) and net realizable value, less potential future costs associated with their recovery.

16. Trade receivables

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

(In thousands of Euro)	31 December 2021	31 December 2020	Change 2021 vs 2020
Trade receivables	115,972	119,540	(3,568)
Provision for bad debt	(3,302)	(5,631)	2,329
Total	**112,670**	**113,909**	**(1,239)**

Trade receivables mainly refer to wholesale sales and were down from 31 December 2020 largely because of the sale of the fragrances business; they are interest-free and are generally due in 90 days or less. The relevant provision for bad debt was deemed adequate to deal with potential defaults, and the amount set aside for the period largely refers to risk assessments associated with the specific situation during the period. In addition, during the year the Group reported 262 thousand Euro in credit losses after writing off non-performing trade receivables.

The changes in the provision for bad debt during 2021 were as follows:

(In thousands of Euro)	Value at 01.01.2021	Translation difference	Provisions	Uses	Value at 31.12.2021
Provision for bad debt	5,631	90	277	(2,696)	3,302

For an analysis of past due but not impaired trade receivables reference should be made to note 3 "Management of financial risks – Credit risk".

17. Tax receivables

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

(In thousands of Euro)	31 December 2021	31 December 2020	Change 2021 vs 2020
Due from tax authorities (value added tax and other taxes)	21,495	7,547	13,948
Due from tax authorities for direct taxes	6,017	8,135	(2,118)
Withholding taxes	-	292	(292)
Total	**27,512**	**15,974**	**11,538**

Tax receivables mainly refer to VAT receivables and amounts due from tax authorities for income taxes relating to advances paid during the year. They were up 11,538 thousand Euro year-on-year, primarily related to the amounts due from tax authorities for value-added tax.

18. Other current assets

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

(In thousands of Euro)	31 December 2021	31 December 2020	Change 2021 vs 2020
Other receivables	22,255	15,796	6,459
Accrued income	253	164	89
Prepaid expenses	9,772	13,106	(3,334)
Short-term hedging derivatives	326	6,878	(6,552)
Total	**32,606**	**35,944**	**(3,338)**

As at 31 December 2021, other receivables mainly include:

- receivables due from credit card management companies for retail sales amounting to 12,359 thousand Euro (6,213 thousand Euro as at 31 December 2020);
- the 2,567 thousand Euro IRES receivable (2,690 thousand Euro as at 31 December 2020) due from the Holding company Ferragamo Finanziaria S.p.A. of Salvatore Ferragamo S.p.A. under the domestic fiscal unity;
- advances to suppliers amounting to 2,331 thousand Euro (2,708 thousand Euro as at 31 December 2020).

Prepaid expenses mainly include 5,703 thousand Euro in contributions to customers relating to the fit-out of tailored single brand stores and/or stores-in-stores, 665 thousand Euro in insurance premiums, and 180 thousand Euro in rents outside the scope of the new standard IFRS16.

“Short-term hedging derivatives”, amounting to 326 thousand Euro (6,878 thousand Euro as at 31 December 2020), refer to the fair value measurement of outstanding derivative contracts (hedging component) entered into by the Parent company to manage exchange rate risk on sales in currencies other than the Euro.

19. Other current financial assets

The breakdown of the item "Other current financial assets" is set out in the following table:

(In thousands of Euro)	31 December 2021	31 December 2020	Change 2021 vs 2020
Derivatives	596	287	309
Other current financial assets	-	279	(279)
Total	**596**	**566**	**30**

"Other current financial assets", totaling 596 thousand Euro as at 31 December 2021, referred to the fair value measurement of the non-hedging component of derivative instruments (287 thousand Euro as at 31 December 2020), as at 31 December 2020, the item included also 279 thousand Euro in time deposits at banks with maturities greater than three months.

20. Cash and cash equivalents

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

(In thousands of Euro)	31 December 2021	31 December 2020	Change 2021 vs 2020
Time deposits	39,988	31,188	8,800
Bank and post office sight deposits	470,487	295,791	174,696
Cash and values on hand	1,321	901	420
Total	**511,796**	**327,880**	**183,916**

Time deposits at banks have maturities ranging from one day to twenty-four months and, in any case, can be promptly liquidated without penalties. Bank and post office deposits refer to temporary cash holdings maintained mainly to meet imminent payments.

Also during 2021, the Group continued using a significant part of its cash surpluses not in time-deposit investments, but to take out intercompany loans, regulated at current market conditions, so as to contain the increase in bank debt.

Always in order to curb its bank debt, in 2021 the Group made partial early repayments totaling 40,000 thousand Euro on one of the main outstanding medium/long-term loans.

As at 31 December 2021, the Group had unused credit lines amounting to 741,686 thousand Euro; as at 31 December 2020, unused credit lines totaled 773,084 thousand Euro. For more details, see note 22 Interest-bearing loans & borrowings.

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

(In thousands of Euro)	31 December 2021	31 December 2020	Change 2021 vs 2020
Cash and bank sight deposits	471,808	296,692	175,116
Time deposits	39,988	31,188	8,800
Total	**511,796**	**327,880**	**183,916**

Below is the reconciliation of the liabilities from financing activities as reported on the statement of cash flows for the years ended 31 December 2021 and 2020.

(In thousands of Euro)	Value at 01.01.2021	Cash flow		Translation difference	New leases	Other non-cash changes	Value at 31.12.2021
		for principal repaid/ received	for interest paid/ received				
Other current financial assets	279	(291)	-	12	-	-	-
Total assets from financing activities	**279**	**(291)**	**-**	**12**	**-**	**-**	**-**
Non current interest-bearing loans & borrowings	129,302	(54,391)	(1,000)	(457)	-	(9,938)	63,516
Current interest-bearing loans & borrowings (excluding bank overdrafts)	56,698	7,239	(486)	730	-	11,423	75,604
Non current lease liabilities	464,400	-	-	22,814	119,782	(119,766)	487,230
Current lease liabilities	103,509	(100,669)	(13,754)	5,371	-	115,555	110,012
Total liabilities from financing activities	**753,909**	**(147,821)**	**(15,240)**	**28,458**	**119,782**	**(2,726)**	**736,362**

(In thousands of Euro)	Value at 01.01.2020	Cash flow		Translation difference	New leases	Other non-cash changes	Value at 31.12.2020
		for principal repaid/ received	for interest paid/ received				
Other current financial assets	-	286	-	(7)	-	-	279
Total assets from financing activities	**-**	**286**	**-**	**(7)**	**-**	**-**	**279**
Non current interest-bearing loans & borrowings	-	129,904	-	(602)	-	-	129,302
Current interest-bearing loans & borrowings (excluding bank overdrafts)	48,060	11,218	(1,577)	(2,580)	-	1,577	56,698
Non current lease liabilities	559,267	-	-	(22,883)	72,772	(144,756)	464,400
Current lease liabilities	117,062	(93,573)	(16,136)	(5,084)	-	101,240	103,509
Total liabilities from financing activities	**724,389**	**47,549**	**(17,713)**	**(31,149)**	**72,772**	**(41,939)**	**753,909**

The column Cash flows for principal repaid, with respect to Current lease liabilities, is presented net of the proceeds relating to lease payment reductions obtained from negotiations to revise the terms and conditions of the leases of the Group's distribution network, amounting to 6,785 thousand Euro in 2021.

The column "Other non-cash changes" includes the reclassification of debt into the non current and current portions of Interest-bearing loans & borrowings and Lease liabilities, interest on Interest-bearing loans & borrowings and Lease liabilities accrued during the period, the proceeds relating to lease payment reductions obtained from negotiations to revise the terms and conditions of the leases of the Group's distribution network, as well as the effect of the early termination of some leases or the negotiation of a reduction in future lease payments on Lease liabilities.

21. Share capital and reserves

The authorized, subscribed, and paid up share capital of the Parent company as at 31 December 2021 totaled 16,879,000 Euro and consisted of 168,790,000 ordinary shares with a nominal value of 0.10 Euro each. During 2021, there were no changes in the number of shares outstanding.

The treasury share reserve, amounting to 15,532 thousand Euro, consisted of 774,163 shares in Salvatore Ferragamo S.p.A., purchased in 2018 (no. 14,000), 2019 (no. 136,000), and 2021 (no. 624,163) at an average unit price of 20.06 Euro.

Share capital contributions, totaling 2,995 thousand Euro and referring entirely to the Parent company, were paid in a lump sum in 2003 by the Holding company Ferragamo Finanziaria S.p.A. and were reduced in 2007, due to the demerger.

The legal reserve of 4,188 thousand Euro was set up in previous years and refers entirely to the Parent company. This reserve cannot be distributed.

The extraordinary reserve of 594,520 thousand Euro, which refers entirely to the Parent company, was set up with retained earnings; the change recorded in the period was due to a decrease of 34,070 thousand Euro, relating to Salvatore Ferragamo S.p.A.'s loss for the year 2020, which was covered by using the extraordinary reserve. The 60 thousand Euro increase refers to the reclassification of the entirety of the specific reserve set up to service the 2016 – 2020 Stock Grant plan, and the resulting reversal of said reserve, set up in 2016, as the 1st and 2nd Cycles of the Stock Grant plan came to a close during 2020 without granting any shares in Salvatore Ferragamo S.p.A..

The cash flow hedge reserve was negative 6,404 thousand Euro and is the result of the measurement of the financial instruments defined as cash flow hedges as at 31 December 2021, given the hedges against exchange rate risk, and is shown net of the tax effect.

The translation reserve, negative 10,418 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 98,676 thousand Euro, include profits/losses capitalized during the years, taking due account of consolidation adjustments, in particular unrealized profit on inventories. The change in this reserve during the year 2021 was the result of several factors. It increased by 887 thousand Euro primarily because of the transfer of the Reserve for the 2016-2020 Stock Grant Plan, which came to an end in 2020 without granting any shares in Salvatore Ferragamo S.p.A., from the item "Other reserves", and by 346 thousand Euro due to other minor effects; on the other hand, it declined by 32,327 thousand Euro because of the capitalization of the 2020 result, net of the Parent company's profit or loss which was allocated to the extraordinary reserve.

As at 31 December 2021, the items "Other reserves" and "Effect IAS 19 equity" (net total of 762 thousand Euro) include the amounts recognized for the valuation differences required by IFRS compared to the local standards of the Group's companies. This item was down 60 thousand Euro as result of the reversal of the specific reserve set up to service the 2016 – 2020 Stock Grant plan, and 887 thousand Euro mainly because the 2016-2020 Stock Grant Reserve was transferred to retained earnings. The 1,071 thousand Euro increase refers to the actuarial valuation of outstanding defined benefit plans at some of the Group's companies.

The amounts are net of the tax effects where applicable.

The changes in shareholders' equity items occurred in 2021 and 2020 are shown in the related statements.
Here below is a breakdown of reserves and retained earnings:

31 December 2021

(In thousands of Euro)	Reserves made up of profits	Translation reserve	Other reserves	Total
Treasury share reserve	-	-	(15,532)	(15,532)
Share capital contributions	-	-	2,995	2,995
Legal reserve	4,188	-	-	4,188
Extraordinary reserve	594,520	-	-	594,520
Cash flow hedge reserve	-	-	(6,404)	(6,404)
Translation reserve	-	(10,418)	-	(10,418)
Retained earnings	98,676	-	-	98,676
Other reserves	-	-	762	762
Total	**697,384**	**(10,418)**	**(18,179)**	**668,787**

31 December 2020

Treasury share reserve	-	-	(2,776)	(2,776)
Share capital contributions	-	-	2,995	2,995
Legal reserve	4,188	-	-	4,188
Extraordinary reserve	628,530	-	-	628,530
Cash flow hedge reserve	-	-	5,123	5,123
Translation reserve	-	(25,368)	-	(25,368)
Retained earnings	129,770	-	-	129,770
Other reserves	-	-	638	638
Total	**762,488**	**(25,368)**	**5,980**	**743,100**

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 2021	31 December 2020	Change 2021 vs 2020
Medium/long-term financial payables to banks	63,516	129,302	(65,786)
Short-term financial payables to banks	75,604	56,698	18,906
Total	**139,120**	**186,000**	**(46,880)**

During 2020, considering the impact of the Covid-19 pandemic, the Group saw it fit to further strengthen its financial structure by increasing its committed lines with diversified counterparties; in 2021, considering the overall improvement in credit market conditions, the Group instead repaid part of the outstanding term loans early.

As it has in the past, the Group used a significant part of its cash surplus in order to take out intercompany loans, which are regulated at current market conditions. As a result, the following were outstanding as at 31 December 2021: the term loan related to the subsidiary Ferragamo Japan K.K., which can be fully repaid at maturity and had a residual maturity of nineteen months, and the 125,000 thousand Euro term loan related to the Parent company, with approximately 74,000 thousand Euro outstanding, repayable according to a repayment schedule, and with a final residual maturity of forty-three months. The Group's loans and credit lines are at floating rates. The cost of debt is generally benchmarked to the market rate for the period (usually Euribor/Libor or the benchmark of the loan currency on the specific interbank market) increased by a spread which depends on the type of credit line used. For term loans with maturity of more than one year, the interest period and the market rate used (Euribor/Libor), does not exceed six months, including for drawdowns beyond the year. Drawdowns range from one day to a maximum of less than five years (term loans). The margins applied are in line with the best market standards.

The financial instruments used are:

i) uncommitted credit lines made available in the currency and country of residence of the individual company in order to meet short-term financial needs linked to the management of working capital;

ii) short- and medium/long-term committed credit lines, in the form of either revolving credit lines or term loans, negotiated on a bilateral basis by the Parent company.

As at 31 December 2021, committed credit lines had a maximum residual maturity of forty-eight months and a weighted average residual maturity of thirty-five months. The credit lines and the related financial business are spread among leading national and international banks. As at the reporting date, drawdowns were below five years.

As far as financial payables to banks are concerned, the following table provides a breakdown by type of the credit lines granted to the Group and the relevant uses:

	31 December 2021		31 December 2020	
(In thousands of Euro)	Agreed	Used	Agreed	Used
Committed credit lines	442,072	89,785	532,671	151,564
- Revolving	*356,505*	*4,218*	*391,859*	*10,752*
- Term Loan	*85,567*	*85,567*	*140,812*	*140,812*
Uncommitted credit lines	438,596	49,197	426,467	34,490
Total	**880,668**	**138,982**	**959,138**	**186,054**

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

(In thousands of Euro)	31 December 2021	31 December 2020	Change 12.21 vs 12.20
A. Cash	471,808	296,692	175,116
B. Cash equivalents	39,988	31,188	8,800
C. Other current financial assets	596	566	30
D. Cash and cash equivalents (A+B+C)	**512,392**	**328,446**	**183,946**
E. Current financial payables (including debt instruments)	53,955	48,972	4,983
F. Current portion of non-current financial payables*	132,174	114,938	17,236
G. Current financial debt (E+F)	**186,129**	**163,910**	**22,219**
H. Current financial debt, net (G-D)	**(326,263)**	**(164,536)**	**(161,727)**
I. Non-current financial payables (excluding debt instruments)*	550,746	593,702	(42,956)
J. Debt instruments	-	-	-
K. Trade and other current payables	-	-	-
L. Non current financial debt (I+J+K)	**550,746**	**593,702**	**(42,956)**
M. Net financial debt (H+L)	**224,483**	**429,166**	**(204,683)**

* As at 31 December 2021, the Current portion of non current financial payables included 15,956 thousand Euro in Current lease liabilities to related parties (14,155 thousand Euro as at 31 December 2020). As at 31 December 2021, Non current financial payables included 88,034 thousand Euro in Non current lease liabilities to related parties (89,138 thousand Euro as at 31 December 2020). For more details, please refer to note 45 "Transactions with Related Parties".

Limitations on the use of financial resources

In general, the Group's committed credit lines (both revolving credit lines and term loans) that are currently outstanding do not require compliance with financial covenants.

One exception is the loan agreement entered into with Intesa Sanpaolo S.p.A. on 24 July 2020, which includes a financial covenant based on the ratio of Adjusted net financial debt/(surplus) to restated EBITDA (EBITDA excluding the impact of the introduction of the accounting standard IFRS16), to be tested annually starting from 31 December 2021. As at said date, the financial covenant was met.

Financial covenants are also included in some local loan agreements entered into by Asian companies, even though these are uncommitted credit lines.

As at 31 December 2021, the financial and non-financial covenants were complied with by all the companies involved.

23. Provisions for risks and charges

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

(In thousands of Euro)	Value at 01.01.2021	Translation difference	Additions	Uses	Value at 31.12.2021
Legal disputes	3,073	19	2,170	(1,980)	3,282
Other	11,328	500	5,998	(376)	17,450
Total	**14,401**	**519**	**8,168**	**(2,356)**	**20,732**

Legal disputes mainly refer to allocations against likely future liabilities relating to legal proceedings against the Parent company and some proceedings regarding subsidiaries as well as labor disputes with reference to both litigation and estimated amounts that Group companies expect to have to disburse for out-of-court settlements. The use of the provision for legal disputes mainly refers to the settlement of a number of legal and labor proceedings and/or disputes largely related to the Parent company during the period. The amounts set aside are primarily associated with labor and legal disputes that arose during 2021.

The provision for other risks mainly includes allocations against likely contingent liabilities; the main allocation concerns expenses for the restoration of premises leased from third parties recognized pursuant to the contractual obligations under the relevant leases (17,331 thousand Euro as at 31 December 2021 and 11,077 thousand Euro as at 31 December 2020). The provision for the period included 5,991 thousand Euro referring to costs for the restoration of premises.

As regards contingent liabilities at Group level, for which no provisions have been made, reference should be made to the Directors' Report on Operations, section "Significant events occurred during the year - Tax and customs disputes and audits".

24. Employee benefit liabilities

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

(In thousands of Euro)	31 December 2021	31 December 2020	Change 2021 vs 2020
Employee defined benefit liabilities	8,846	11,713	(2,867)
Other employee benefit liabilities	124	154	(30)
Total	**8,970**	**11,867**	**(2,897)**

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 2021 and 2020:

	31 December 2021			31 December 2020		
(In thousands of Euro)	Employee benefit obligations	Fair value of plan assets	Employee defined benefit liabilities	Employee benefit obligations	Fair value of plan assets	Employee defined benefit liabilities
Value at 01.01	**16,173**	**(4,460)**	**11,713**	**16,265**	**(4,579)**	**11,686**
Change in scope of consolidation	***-***	***-***	***-***	***64***	***-***	***64***
Liabilities disposed of	***(509)***	***-***	***(509)***	***-***	***-***	***-***
Current service cost	606	-	**606**	571	-	**571**
Financial charges/(income)	115	(71)	**44**	183	(68)	**115**
Changes included in net profit/(loss) for the period	***721***	***(71)***	***650***	***754***	***(68)***	***686***
Returns on plan assets	-	(185)	**(185)**	-	(121)	**(121)**
Actuarial loss/(gain) arising from:						
- financial assumptions	(621)	-	**(621)**	636	-	**636**
- demographic assumptions	(226)	-	**(226)**	5	-	**5**
- experience-based adjustments	(418)	-	**(418)**	(231)	-	**(231)**
Translation differences	363	(190)	**173**	(654)	423	**(231)**
Changes included in other comprehensive income	***(902)***	***(375)***	***(1,277)***	***(244)***	***302***	***58***
Contributions paid by the employer	-	(359)	**(359)**	-	(270)	**(270)**
Benefits paid	(263)	(1,109)	**(1,372)**	(666)	155	**(511)**
Other changes	***(263)***	***(1,468)***	***(1,731)***	***(666)***	***(115)***	***(781)***
Value at the end of the period	**15,220**	**(6,374)**	**8,846**	**16,173**	**(4,460)**	**11,713**

Employee defined benefit liabilities of the Group's Italian company (the Parent company) amounted to 6,333 thousand Euro, down 2,500 thousand Euro compared to 31 December 2020, largely because of the departure of some employees associated with the fragrances business. These were transferred to the newly-established entity Parfums Italia S.r.l., which was then sold to Inter Parfums, Inc..

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

	31 December 2021	31 December 2020
Annual rate of salary increase	2.86%	2.98%
Annual discount rate	0.45%	(0.12%)
Inflation rate	1.50%	2.00%

As regards the demographic assumptions used in determining defined benefit liabilities of the Group's Italian companies, the figure used as a benchmark for the mortality rate is that for the Italian population recorded by ISTAT in 2000, less 25%, broken down by age and gender; meanwhile, the staff turnover rate has been estimated at 5.56% 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, Ferragamo (Suisse) SA, and Ferragamo Retail India Private Limited. They amounted to 2,513 thousand Euro, down by 367 thousand Euro compared to 31 December 2020. 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 2021	31 December 2020
Annual rate of salary increase	1.78% - 5.50%	1.39% - 6.00%
Annual discount rate	0.33% - 8.01%	0.35% - 7.20%

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 2021 and 31 December 2020 concerning the employee benefit obligation of Salvatore Ferragamo S.p.A. (for 31 December 2020, they refer to both Salvatore Ferragamo S.p.A and Ferragamo Parfums S.p.A.), which has the highest impact on total defined benefit obligations:

(In thousands of Euro)	2021			2020	
	Change %	Additions	Disposals	Additions	Disposals
Annual rate of salary increase	+/- 0.5%	-	-	28	(26)
Annual discount rate	+/- 0.5%	(276)	295	(395)	426
Mortality rate	+/- 0.025%	(1)	1	(4)	3
Staff turnover rate	+/- 0.5%	(27)	29	(66)	70

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)	2021	2020
Top managers, middle managers and store managers	758	736
White collars	2,498	2,495
Blue collars	255	236
Temporary Agency staff	50	59
Total	**3,561**	**3,526**

Average staff was slightly up compared to 2020.

25. Other non current liabilities

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

(In thousands of Euro)	31 December 2021	31 December 2020	Change 2021 vs 2020
Payables for deferred liabilities	15,106	12,256	2,850
Other payables	350	308	42
Total	**15,456**	**12,564**	**2,892**

Payables for deferred liabilities (amounting to 15,106 thousand Euro as at 31 December 2021) largely refer to the straight-lining of the amounts received from lessors for the costs incurred to fit out the stores.

As at 31 December 2021, “Other payables” largely include 294 thousand Euro in guarantee deposits received for lease contracts (292 thousand Euro as at 31 December 2020).

26. Lease liabilities

Below are the changes in lease liabilities occurred in 2021 and 2020, broken down between current and non current.

	Lease liabilities		
(In thousands of Euro)	non current	current	Total
Value at 01.01.2021	464,400	103,509	**567,909**
Translation difference	22,814	5,371	**28,185**
Additions	119,782	-	**119,782**
Disposals	(11,276)	-	**(11,276)**
Repayment of lease liabilities	-	(100,669)	**(100,669)**
Interest expense on lease liabilities paid	-	(13,754)	**(13,754)**
Other changes	(108,490)	115,555	**7,065**
Value at the end of the period	**487,230**	**110,012**	**597,242**

	Lease liabilities		
(In thousands of Euro)	non current	current	Total
Value at 01.01.2020	559,267	117,062	**676,329**
Translation difference	(22,883)	(5,084)	**(27,967)**
Additions	72,772	-	**72,772**
Disposals	(39,779)	-	**(39,779)**
Repayment of lease liabilities	-	(93,573)	**(93,573)**
Interest expense on lease liabilities paid	-	(16,136)	**(16,136)**
Other changes	(104,977)	101,240	**(3,737)**
Value at the end of the period	**464,400**	**103,509**	**567,909**

The average weighted IBR applicable to leases outstanding as at 31 December 2021 was 2.48% (2.60% in 2020). As for the other cash outflows related to leases, see note 36 Breakdown by nature of income statement cost items.

27. Trade payables

The breakdown of trade payables was as follows:

(In thousands of Euro)	31 December 2021	31 December 2020	Change 2021 vs 2020
Trade payables	180,751	134,094	46,657
Advances from customers	3,041	2,305	736
Total	**183,792**	**136,399**	**47,393**

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.

28. Refund liabilities

Concerning the right of return as per “Revenue from contracts with customers”, the line item “Refund Liabilities” totaled 9,310 thousand Euro as at 31 December 2021 (9,139 thousand Euro as at 31 December 2020) and refers to the liability to customers for the amount of the products expected to be returned.

29. Tax payables

As at 31 December 2021, tax payables amounted to 25,732 thousand Euro (25,974 thousand Euro as at 31 December 2020) and concerned payables for income taxes pertaining to the period, VAT and other taxes due by Group companies. They were down 242 thousand Euro from 31 December 2020.

30. Other current liabilities

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

(In thousands of Euro)	31 December 2021	31 December 2020	Change 2021 vs 2020
Other payables	34,089	17,712	16,377
Payables to social security institutions	4,621	4,695	(74)
Accrued expenses	763	1,648	(885)
Deferred income	4,250	3,654	596
Hedging derivatives	15,206	1,653	13,553
Total	**58,929**	**29,362**	**29,567**

Other payables mainly include the Group’s payables to employees for amounts accrued but not yet paid at the reporting date (28,438 thousand Euro, up from 13,378 thousand Euro as at 31 December 2020).

The item "payables to social security institutions" refers to payables to social security institutions paid in the month after the reporting period and relating to amounts due to employees.

The item "Hedging derivatives" shows the fair value measurement at the end of the year of outstanding derivatives (hedging component) entered into by the Parent company to manage exchange rate risk. For further details, please refer to note 32.

31. Other current financial liabilities

The breakdown of the item "Other current financial liabilities" is set out in the following table:

(In thousands of Euro)	31 December 2021	31 December 2020	Change 2021 vs 2020
Short-term derivatives	513	74	439
Other current financial payables	-	3,629	(3,629)
Total	**513**	**3,703**	**(3,190)**

"Other current financial payables" as at 31 December 2020 included the amount owed by Salvatore Ferragamo S.p.A., totaling 3,629 thousand Euro, for the purchase price adjustment relating to the acquisition of Arts S.r.l. and Aura 1 S.r.l. that closed in 2020. This amount was paid in February 2021.

The item "Short-term derivatives" mainly refers to the fair value of financial derivatives with a negative mark to market at the reporting date. For further details, please refer to note 32 below.

32. Financial instruments and fair value measurement

The classification of financial instruments under IFRS 9 involves various items. The following table sets out the book value of outstanding financial instruments, divided by category, compared to the corresponding fair values, as at 31 December 2021 and 31 December 2020.

Classification of financial instruments and presentation of their fair value

Financial assets

(In thousands of Euro)	31 December 2021			31 December 2020		
	Book value		Fair Value	Book value		Fair Value
	Current portion	Non current portion		Current portion	Non current portion	
Financial assets at fair value through profit or loss						
Derivatives – non-hedging component	596	-	596	287	-	287
Assets measured at amortized cost						
Receivables from others (M/L term)	-	-	-	892	650	1,542
Receivables due from credit cards	12,359	-	12,359	6,213	-	6,213
Trade receivables	112,670	-	112,670	113,909	-	113,909
Guarantee deposits	-	15,659	15,659	-	15,574	15,574
Other current financial assets	-	-	-	279	-	279
Cash and cash equivalents	511,796	-	511,796	327,880	-	327,880
Financial assets at fair value through other comprehensive income						
Derivatives – hedging component	326	-	326	6,878	-	6,878
Total	**637,747**	**15,659**	**653,406**	**456,338**	**16,224**	**472,562**

Financial liabilities

	31 December 2021			31 December 2020		
	Book value		Fair Value	Book value		Fair Value
(In thousands of Euro)	Current portion	Non current portion		Current portion	Non current portion	
Liabilities measured at amortized cost						
Trade payables and payments on account	183,792	-	183,792	136,399	-	136,399
Payables to banks	75,604	63,516	139,120	56,698	129,302	186,000
Other financial payables	-	-	-	3,629	-	3,629
Guarantee deposits	96	294	390	108	292	400
Lease liabilities	110,012	487,230	n/a*	103,509	464,400	n/a*
Financial liabilities at fair value through profit or loss						
Derivatives – non-hedging component	513	-	513	74	-	74
Financial liabilities at fair value through other comprehensive income						
Derivatives – hedging component	15,206	-	15,206	1,653	-	1,653
Total	**385,223**	**551,040**	**339,021**	**302,070**	**593,994**	**328,155**

* Under the standard IFRS16, Lease liabilities are not measured at fair value.

The table shows that most outstanding financial assets and liabilities refer to short-term financial items, except for lease liabilities; taking into account their nature, the book value of most of these items is a reasonable approximation of their fair value.

In all other cases, fair value is measured according to methods which can be classified as Level 2 of the hierarchy of data significance levels used in the fair value calculation as defined by IFRS 13.

The Group uses internal valuation models, which are generally used in finance, on the basis of prices provided by market participants or prices collected on active markets through leading info-providers.

To determine the fair value of derivatives, the Company uses a pricing model based on market interest rate values and exchange rates at the measurement date.

Until 2020, "Receivables from others (M/L term)" included receivables due to Ferragamo Parfums S.p.A. from Emanuel Ungaro Italia S.r.l. for advance payments under the licensing agreement for the production and distribution of Ungaro-branded fragrances, which was renegotiated in July 2017. This receivable is no longer recognized, as the fragrances business was discontinued in 2021.

As for "Guarantee deposits", the book value is a reasonable approximation of the fair value. There have been no changes in the valuation methods used compared to the previous years or transfers from one Level to another in the hierarchy of assets or liabilities measured at fair value.

The Group calculates non-performance risk, i.e. the risk that one of the parties may not fulfill its contractual obligations due to a potential default before the derivative expires, both in reference to counterparty risk (Credit Value Adjustment: CVA), and to its own risk (Debt Risk Adjustment: DVA), applying it to the market value of the risk-free portfolio. Taking into account the type of derivatives in the portfolio (solely sales and purchases through currency forward contracts), the related expiry dates (not over twelve months), and the Group's and counterparties' ratings, these adjustments are immaterial.

In addition, it should be noted that, in compliance with the ISDA Master Agreements and the existing framework agreements relating to derivatives, it is generally possible to offset (through netting) all the outstanding financial assets and liabilities arising from these derivatives.

The table summarizes the effects on the income statement and shareholders' equity in reference to each category of outstanding financial instruments for the Group in the years 2021 and 2020.

(In thousands of Euro)	2021	2020
Net gains/(losses) on financial instruments recognized in profit or loss:		
Financial assets/liabilities held for trading	(16,284)	9,977
Derivatives – hedging component	(332)	6,734
Net gains/(losses) on financial instruments recognized in shareholders' equity:		
Derivatives – hedging component	(15,166)	7,398
Interest income/expense (calculated using the internal rate of return method) accrued on financial assets/liabilities not at FVTPL		
Interest income	1,485	9,457
Interest expense	2,844	2,042
Interest expense on lease liabilities	13,881	15,986
Expenses and fees not included in the effective interest rate		
regarding financial liabilities	1,300	857
Interest income accrued on financial instruments written-off		
Provisions for impairment on financial assets		
Receivables/loans	277	528

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 2021 and 2020.

33. Revenues from contracts with customers

In the years ended 31 December 2021 and 31 December 2020, revenues totaled 1,133,159 thousand Euro and 874,259 thousand Euro, respectively. The tables below provide the breakdown by channel and geographical area of the main categories of revenues from contracts with customers for the years 2021 and 2020.

2021

(In thousands of Euro)	Retail	Wholesale	Licenses and services	Total Revenues from contracts with customers
Europe	99,098	110,782	7,174	217,054
North America	235,189	85,741	267	321,197
Japan	90,300	(156)	-	90,144
Asia Pacific	349,810	86,183	229	436,222
Central and South America	55,118	13,348	76	68,542
Total	**829,515**	**295,898**	**7,746**	**1,133,159**

2020 Restated*

(In thousands of Euro)	Retail	Wholesale	Licenses and services	Total Revenues from contracts with customers
Europe	69,240	103,433	6,461	179,134
North America	131,432	54,673	321	186,426
Japan	84,940	1,960	1	86,901
Asia Pacific	314,094	57,556	224	371,874
Central and South America	37,377	12,492	55	49,924
Total	**637,083**	**230,114**	**7,062**	**874,259**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

The Group discloses the disaggregation of revenue using a quali-quantitative approach.

The Group recognizes revenue from the sale of goods through both the retail and wholesale channels when control over the asset is transferred to the customer, generally upon delivery; in the case of licenses and services, revenue is recognized when the service is rendered to customers.

The item “Licenses and services” includes royalties deriving from the license contract with the Marchon Group for the production and distribution of glasses (“Salvatore Ferragamo” brand) and with the Timex Group for the production and distribution of watches (“Salvatore Ferragamo” brand). Since October 2021, the item includes also royalties deriving from the license contract with the Inter Parfums Inc. group for the production and distribution of fragrances (“Salvatore Ferragamo” brand). For more details, see note 6 Discontinued operation. Revenues from royalties are accounted for based on the stage of completion of the licensee’s sale.

34. Rental income investment properties

Rental income investment properties were wholly due to the Ferragamo USA Group for the lease of space in owned or leased and sub-leased properties. In 2021, they amounted to 2,361 thousand Euro, in line with 2020, when they totaled 2,253 thousand Euro.

35. Cost of goods sold and operating costs

Cost of goods sold and operating costs in the years ended 31 December 2021 and 31 December 2020 totaled 1,018,725 thousand Euro and 961,848 thousand Euro, respectively, and were classified by function as follows:

(In thousands of Euro)	2021	2020 Restated*	Change 2021 vs 2020 Restated
Cost of goods sold	354,576	325,198	29,378
Style, product development and logistics costs	40,908	34,712	6,196
Sales & distribution costs	407,844	406,981	863
Marketing & communication costs	66,379	50,533	15,846
General and administrative costs	126,304	121,726	4,578
Other operating costs	22,714	22,698	16
Total	**1,018,725**	**961,848**	**56,877**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

Costs were up 5.9% compared to 2020, to directly support the growth in sales (+29.5%), but the increase was limited thanks to the steps promptly taken by the Group’s management as soon as in 2020 to mitigate the negative impact of the crisis triggered by the Covid-19 pandemic.

36. Breakdown by nature of income statement cost items

The breakdown by nature of the cost of goods sold and operating costs is set out in the following table:

(In thousands of Euro)	2021	2020 Restated*	Change 2021 vs 2020 Restated
Raw materials, finished products and consumables used	244,057	190,445	53,612
Costs for services	378,937	343,867	35,070
Personnel costs	211,968	184,296	27,672
Amortization and depreciation of tangible and intangible assets	50,780	66,034	(15,254)
Depreciation of right-of-use assets	110,269	119,438	(9,169)
Write-downs of tangible/intangible assets	-	35,070	(35,070)
Other charges	22,714	22,698	16
Total	**1,018,725**	**961,848**	**56,877**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

Compared to 31 December 2020, the cost of Raw materials, finished products and consumables used rose as a result of rising volumes of revenue, while the costs for Amortization, depreciation, and write-downs of tangible and intangible assets declined largely because of the impairment losses recognized in 2020 (35,070 thousand Euro) after testing assets for impairment.

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

(In thousands of Euro)	2021	% of Total	2020 Restated*	% of Total	Change 2021 vs 2020 Restated
Depreciation of right-of-use assets	110,269	57.9%	119,438	67.6%	(9,169)
Interest and expenses on lease liabilities	13,889	7.3%	15,992	9.1%	(2,103)
Income from lease liabilities	(422)	(0.2%)	(1,622)	(0.9%)	1,200
Costs relating to short-term leases	8,844	4.6%	8,125	4.6%	719
Costs relating to low-value leases	588	0.3%	538	0.3%	50
Costs relating to leases with variable payments not included in the measurement of lease liabilities	63,955	33.6%	53,785	30.5%	10,170
Lease payment reductions	(6,785)	(3.5%)	(19,729)	(11.2%)	12,944
Total	**190,338**	**100.0%**	**176,527**	**100.0%**	**13,811**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

Some of the Group's leases contain variable lease payments linked to the revenues generated by stores (DOS), inside leased premises that are not included in the measurement of leases, and are recognized on an accrual basis. As at 31 December 2021, overall variable lease payments accounted for 33.6% of the total expense recognized in profit or loss associated with leases either included or not in the lease liability as per the accounting standard IFRS 16. Variable lease payments depend on sales, and therefore the Group's performance in subsequent years. The Group estimates that in the future variable lease payments will continue to be proportionate to the sales of finished goods.

To curb the negative impacts of the Covid-19 pandemic, the Group continued benefiting from negotiations, which had already started in 2020, to revise the terms and conditions of the leases of its distribution network, resulting in a 6,785 thousand Euro positive variable lease payment in 2021 (19,729 thousand Euro in 2020); in the consolidated statement of cash flows, this was presented under Net cash flow from operating activities (Other non-monetary items). This accounting treatment is consistent with the amendments to IFRS 16 relating to renegotiations resulting from the Covid-19 pandemic.

In general, the Group's lease contracts include terms that prohibit subleasing the leased asset, but do not require the Group to comply with financial covenants.

The Group does not have termination options that it intends to exercise but did not consider when measuring the lease liability. With respect to renewal options, under its accounting policy for determining the lease term the Group considered the renewal options it intends to exercise.

The Group reports commitments for short-term leases expected for 2022 in line with those reported in the 2021 income statement.

37. Other income and revenues

Other income and revenues are broken down as follows:

(In thousands of Euro)	2021	2020 Restated*	Change 2021 vs 2020 Restated
Expense recovery	2,960	2,987	(27)
Rental income from operating properties	-	25	(25)
Advertising contributions	17	6	11
Other income and revenues	22,097	13,889	8,208
Gains on disposal of tangible/intangible assets	49	8	41
Windfall profit	1,562	5,656	(4,094)
Total	**26,685**	**22,571**	**4,114**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

Other income, totaling 26,685 thousand Euro, was up 4,114 thousand Euro from 31 December 2020. In 2021, Other income and revenues benefited from the 5.1 million Euro insurance payout that Ferragamo Usa Inc. received for the damage caused to some stores in North America during the protests that took place in the second quarter of 2020. The item included also the Research and Development, design and aesthetic conception, and technological innovation tax credits, the tax credit for donations, and the tax credit for non-residential property lease payments, which the Parent company was eligible for, as well as other benefits provided by the various governments in the countries where the Group operates to help businesses and the economy deal with the economic crisis triggered by the Covid-19 pandemic.

Windfall profit was down 4,094 thousand Euro from 2020, when it included the 4.1 million Euro refund that Ferragamo USA Inc. received for excess import duties paid between 1995 and 1997, as the request filed in 1999 was fully granted.

38. Financial operations

Financial operations are broken down as follows:

Financial charges

(In thousands of Euro)	2021	2020 Restated*	Change 2021 vs 2020 Restated
Interest expense	1,473	1,524	(51)
Discount charges and other financial charges	3,388	2,020	1,368
Interest expense on lease liabilities	13,881	15,982	(2,101)
Expenses on lease liabilities	8	10	(2)
Losses on exchange rate differences	11,618	42,726	(31,108)
Financial charges for fair value adjustment of derivatives	20,146	17,509	2,637
Total	**50,514**	**79,771**	**(29,257)**

Financial income

(In thousands of Euro)	2021	2020 Restated*	Change 2021 vs 2020 Restated
Interest income	841	8,780	(7,939)
Other financial income	644	661	(17)
Income from lease liabilities	422	1,622	(1,200)
Gains on exchange rate differences	23,883	23,080	803
Financial income for fair value adjustment of derivatives	3,862	27,486	(23,624)
Total	**29,652**	**61,629**	**(31,977)**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

The item Interest expense includes mainly interest on short-term bank loans and, to a lesser extent, on medium and long-term bank loans.

The item "Discount charges and other financial charges" refers mainly to bank charges and, to a lesser extent, to financial charges on employee benefits, in relation to the valuation of defined-benefit plans pursuant to IAS 19, and discount charges.

Interest expense on lease liabilities – which the Group started recognizing as of 1 January 2019, following the introduction of the accounting standard IFRS 16 – amounted to 13,881 thousand Euro.

Interest income, totaling 841 thousand Euro, was down 7,939 thousand Euro from 2020, when it included 7,530 thousand Euro in interest income received by Ferragamo USA Inc. for the refund of excess import duties paid between 1995 and 1997, as the request filed in 1999 was fully granted.

Gains and losses on exchange rate differences were recorded mainly by the Parent company Salvatore Ferragamo S.p.A., and derive from sales in currencies other than the Euro to both Group companies (intercompany level) and to third parties. During 2021, net exchange rate gains amounted to 12,265 thousand Euro, compared to 19,646 thousand Euro in net exchange rate losses in 2020.

Financial income/(charges) for fair value adjustment of derivatives refer to the premium or discount on transactions to hedge the exchange rate risk undertaken by the Parent company and the changes in the fair value of non-hedge derivatives and are closely related to net gains and losses on exchange rate differences. In 2021, the Group reported 16,284 thousand Euro in net financial charges for the fair value adjustment of derivatives, compared to 9,977 thousand Euro in net financial income in 2020.

39. Income Taxes

The taxes recorded in the income statement were as follows:

(In thousands of Euro)	2021	2020	2021 vs 2020
Current taxes	(18,922)	(18,387)	(535)
Deferred taxes	(17,117)	28,032	(45,149)
Use/(Provision) for taxes from previous years	(250)	(2,844)	2,594
Taxes from previous years	-	1,328	(1,328)
Total	**(36,289)**	**8,129**	**(44,418)**
Tax rate	**29.6%**	**na**	

The effective tax rate for 2021 was 29.6%. In 2020, income taxes had an 8,129 thousand Euro net positive impact, primarily because of net deferred tax assets, which were largely attributable to the deferred tax assets recognized on tax losses by the Parent company Salvatore Ferragamo S.p.A. and some subsidiaries.

In 2021, Salvatore Ferragamo S.p.A. realigned the tax value of know-how (under intangible assets) and goodwill, both recognized in 2020 following the business combination of Arts S.r.l. and Aura 1 S.r.l., so as to recognize said items for tax (IRES and IRAP) purposes, recognizing a 1,778 thousand Euro substitute tax under current taxes and a 3,477 thousand Euro deferred tax asset under deferred taxes.

The Provision for taxes from previous years included 250 thousand Euro in 2021 and 2,870 thousand Euro in 2020 set aside by Ferragamo France S.A.S. for the tax audit relating to the tax years 2008-2010 that started in 2011; for more details, see “Significant events occurred during the year - Tax and customs disputes and audits”.

Deferred taxes include the net use of deferred tax assets on tax losses during the year totaling 2,575 thousand Euro, mainly related to Salvatore Ferragamo S.p.A..

Deferred tax assets and liabilities

The following table provides a breakdown by nature of the assets and liabilities for deferred taxes as at 31 December 2021 and 31 December 2020.

	31 December 2021	31 December 2020	31 December 2021	31 December 2020	2021	2020
(In thousands of Euro)	Statement of financial position		Other Comprehensive Income		Income statement	
Deferred tax assets						
- on employee benefits	1,216	1,483	685	984	(18)	(109)
- on tangible assets	11,619	10,498	-	-	437	3,635
- on intangible assets	2,057	215	-	-	1,842	(898)
- on right-of-use assets and lease liabilities	15,084	14,849	-	-	(820)	(534)
- on the cash flow hedge reserve	2,024	-	2,024	-	-	158
- on the valuation of inventories	15,455	17,867	-	-	(3,099)	5,979
- on the elimination of the profit unrealized in inventories	37,749	48,747	-	-	(10,998)	1,880
- on tax losses	9,986	12,528	-	-	(2,575)	11,968
- on taxed provisions	2,540	2,793	-	-	(371)	(657)
- for other temporary differences	7,738	10,676	-	-	(3,463)	4,604
Deferred tax assets	**105,468**	**119,656**	**2,709**	**984**	**(19,065)**	**26,026**
Deferred tax liabilities						
- on employee benefits	(103)	(32)	-	-	(72)	65
- on tangible assets	(337)	(336)	-	-	5	23
- on right-of-use assets and lease liabilities	(141)	(130)	-	-	(15)	(135)
- on intangible assets	-	(1,613)	-	-	1,613	167
- on the cash flow hedge reserve	-	(1,616)	-	(1,618)	(2)	276
- on the valuation of inventories	(1,805)	(2,249)	-	-	444	185
- for other temporary differences	(994)	(967)	-	-	(25)	1,425
Deferred tax liabilities	**(3,380)**	**(6,943)**	**-**	**(1,618)**	**1,948**	**2,006**
Net effect	**102,088**	**112,713**	**2,709**	**(634)**	**(17,117)**	**28,032**

Deferred taxes reflect the net tax effect of temporary differences between the book value and the taxable amount of assets and liabilities.

The accounting of assets for deferred taxes was duly adjusted to take account of the effective possibility to be realized.

Deferred tax assets on previous tax losses, recognized after assessing the actual probability that future taxable profit will be available against which they can be utilized, as at 31 December 2021 and 31 December 2020 were as follows:

31 December 2021

Expiry (In thousands of Euro)	Previous tax losses	Tax rate	Deferred tax assets
Without time limits	42,038	23.75%	9,986
Total	**42,038**	**23.75%**	**9,986**

31 December 2020

Expiry (In thousands of Euro)	Previous tax losses	Tax rate	Deferred tax assets
Without time limits	52,172	24.01%	12,528
Total	**52,172**	**24.01%**	**12,528**

The following table shows the tax losses of Group companies as at 31 December 2021 and 31 December 2020 on which deferred tax assets have not been calculated, as it is not probable that future taxable profit will be available against which the Group can utilize the relevant benefits, along with the relevant expiry dates:

31 December 2021

	Expiry				
(In thousands of Euro)	Without time limits	Within 1 year	1 to 3 years	3 to 5 years	over 5 years
166.126	120,970	2,450	6,364	19,167	17,175

31 December 2020

	Expiry				
(In thousands of Euro)	Without time limits	Within 1 year	1 to 3 years	3 to 5 years	over 5 years
140.594	94,327	3,887	4,651	13,524	24,205

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

(In thousands of Euro)	2021	2020
Profit/(loss) from continuing operations before taxes	122,618	(80,907)
Profit/(loss) from discontinued operation before taxes	*(5,030)*	*1,082*
Profit/(loss) before taxes	**117,588**	**(79,825)**
IRES rate in force for the year	*(24.0%)*	*(24.0%)*
Theoretical tax charge	**(28,221)**	**19,158**
IRAP effect	(2,797)	(11)
Effect of goodwill and know how tax realignment	1,461	-
(Non-deductible costs) net of non-taxable income	(822)	(6,720)
Differences arising from different rates – foreign countries	(3,054)	(1,050)
Other effects	(287)	3,851
Effects from non-registration of deferred taxes	(2,945)	(5,945)
R&D, design and innovation tax credit impact (IRES and IRAP)	464	362
Effect of (allocation to)/use of the provision for risks and charges for taxes from previous years	(250)	(2,844)
Effect of taxes from previous years	-	1,328
Total differences	**(8,230)**	**(11,029)**
Total taxes	**(36,451)**	**8,129**
of which income taxes on the discontinued operation	*(162)*	-
of which income taxes on continuing operations	*(36,289)*	*8,129*
Effective tax rate	***(31.0%)***	***(10.2%)***

40. Earnings per share

As required by IAS 33, information is provided on the data used to calculate the earnings per share and the diluted earnings per share. The basic earnings per share is calculated by dividing the profit or loss for the period attributable to the shareholders of the Parent company by the weighted average number of outstanding shares during the reporting period, considering also the weighted average impact of treasury shares during the reporting period.

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

	2021	2020 Restated*
Net profit (loss) – shareholders of the Parent company (Euro)		
Profit (loss) from continuing operations (Euro)	83,839,070	(67,478,303)
Profit (loss) from operations to be disposed of (Euro)	(5,192,000)	1,081,633
Net profit (loss) – shareholders of the Parent company (Euro)	78,647,070	(66,396,670)
Average number of ordinary shares	168,585,596	168,640,000
Basic earnings per share from continuing operations – ordinary shares (Euro)	**0.497**	**(0.400)**
Basic earnings per share from discontinued operation – ordinary shares (Euro)	**(0.031)**	**0.006**
Basic earnings per share – ordinary shares (Euro)	**0.467**	**(0.394)**
Diluted average number of ordinary shares	168,585,596	168,640,000
Diluted earnings per share from continuing operations – ordinary shares (Euro)	**0.497**	**(0.400)**
Diluted earnings per share from discontinued operation – ordinary shares (Euro)	**(0.031)**	**0.006**
Diluted earnings per share – ordinary shares (Euro)	**0.467**	**(0.394)**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

Other information

41. Dividends

Pursuant to the resolution passed by the Shareholders' Meeting held on 22 April 2021, the Parent Company Salvatore Ferragamo S.p.A. fully covered the 34,070,066 Euro loss for the year 2020 by drawing an equivalent amount from the Extraordinary Reserve.

Other Group companies with third-party minority shareholders did not approve and/or pay any dividends during 2021.

42. Share-based payments

The Group did not have any share-based incentive plans in place during 2021.
As previously discussed, on 14 December 2021 the ordinary Shareholders' Meeting of Salvatore Ferragamo S.p.A. approved the "Special Award 2022-2026" medium/long-term incentive plan and the "Restricted Shares" incentive plan, under which, upon satisfying specific conditions, shares in Salvatore Ferragamo S.p.A. are to be awarded to the Managing Director and General Manager as well as any additional top managers and managers as the Ferragamo Group's Board of Directors may identify in the future. The plans became effective in 2022.

For further details, reference should be made to the Directors' report on operations, paragraph "Significant events occurred during the year", as well as the information documents associated with said Plans, available on the Company's website in the section Investor Relations / Governance/ Corporate governance / remuneration (https://group.ferragamo.com/en/governance/corporate-governance/remuneration/stock-incentive-plans).

43. Put and call agreements on minority interests

In recent years the Salvatore Ferragamo Group has expanded largely through internal growth. In some areas, mainly in Asia, it has also grown through partnerships with local distributors. In relation to these partnerships, the Shareholders' Agreements regulate dealings between the partners, define the governance rules and contain some provisions on put and call options which shareholders can exercise under certain conditions.

The subsidiaries involved in these kinds of agreements are Ferragamo Japan K.K., Ferrimag Limited, Ferragamo Moda (Shanghai) Co. Ltd., and Ferragamo Retail Macau Limited.

Below are the details on the agreements on minority interests and the effects of the options which have been recognized in the consolidated financial statements as at 31 December 2021.

Ferragamo Japan K.K.'s Shareholders' Agreement allows minority shareholders, collectively holding a 29% stake, to sell their shares to Salvatore Ferragamo S.p.A. at a contractually set price in the case of proven financial need or in the case of a change in their investment strategies in the luxury sector. Consequently, since the financial statements as at 31 December 2010, the Group has been recognizing a financial liability to take into account the possibility of minority shareholders exercising the put option on their 29% stake; as at 31 December 2021 and 2020, the liability was nil. Since the Salvatore Ferragamo Group believes it does not have access to the economic benefits associated with this interest, at each measurement date, any changes in the value of the put are recognized directly in equity.

44. Segment reporting

Accounting Standard IFRS 8 – Operating segments requires that detailed information is provided for each operating segment, understood as a component of an entity whose operating results are regularly reviewed by the entity's top management to make decisions about resources to be allocated to the segment and assess its performance.

At management level, the organization of the Salvatore Ferragamo Group is based on a matrix structure, divided by distribution channel, geographic area and product category, therefore operating segments cannot be identified and the top management reviews financial performance across the Group as a whole. Therefore, the Group's activity has been represented as a single reportable segment pursuant to IFRS 8.

(In thousands of Euro)	2021	2020 Restated*
Retail revenues	829,515	637,083
Wholesale revenues	295,898	230,114
Licenses and services	7,746	7,062
Rental income investment properties	2,361	2,253
Revenues	**1,135,520**	**876,512**
of which in Italy	*101,087*	*84,585*
Gross Profit	**780,944**	**551,314**
Gross Profit %	**68.8%**	**62.9%**
Personnel costs	(198,006)	(173,355)
Rental costs	(81,899)	(58,076)
Amortization, depreciation and write-downs of non current assets	(160,852)	(220,310)
Communication costs	(60,360)	(44,667)
Other costs (net of other income)	(136,347)	(117,671)
Operating profit/(loss)	**143,480**	**(62,765)**
Net financial (charges)/income	(20,862)	(18,142)
Profit/(loss) before taxes	**122,618**	**(80,907)**
Income taxes	(36,289)	8,129
Profit/(loss) from continuing operations	**86,329**	**(72,778)**
Profit/(loss) from discontinued operation, net of tax	(5,192)	1,082
Net profit/(loss)	**81,137**	**(71,696)**
EBITDA**	**304,529**	**157,777**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.
** 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 2021	31 December 2020
Inventories and Right of return assets	279,790	346,181
Trade receivables	112,670	113,909
Tangible assets and investment property	217,077	214,945
Right-of-use assets	500,047	475,240
Intangible assets with a finite useful life and goodwill	40,102	45,570
Other assets	186,977	189,666
Total assets gross of cash and cash equivalents and current financial receivables	**1,336,663**	**1,385,511**
Net financial debt	224,483	429,166
Trade payables and Refund Liabilities	193,102	145,538
Other liabilities	133,199	101,111
Shareholders' equity	785,879	709,696
Total liabilities and shareholders' equity (net of cash and cash equivalents and current financial receivables)	**1,336,663**	**1,385,511**

As regards the information required by IFRS 8, reference should be made to the Directors' report on operations for details and the relevant comments on revenues, broken down by geographical area, distribution channel and product category.

Below is the information relating to non current assets (excluding financial instruments and deferred tax assets) broken down by geographical area.

(In thousands of Euro)	Italy	Europe (excluding Italy)	North America	Japan	Asia Pacific	Central and South America	Consolidated
31 December 2021	242,998	163,477	181,100	12,615	168,127	10,300	778,617
31 December 2020	249,658	168,254	160,559	18,877	147,543	8,956	753,847

45. Transactions with related parties

This section describes the transactions with related parties undertaken in the years ended 31 December 2021 and 2020.

31 December 2021

(In thousands of Euro)	Revenues	Cost of goods sold and Operating costs (net of other income)	Financial charges	Right-of-use assets	Trade receivables	Other assets	Trade payables	Other current liabilities	Lease liabilities
Holding company:									
Ferragamo Finanziaria S.p.A. (company which exercises management and coordination on Salvatore Ferragamo S.p.A.)	36	(75)	(23)	593	14	2,567	-	-	(622)
Related companies									
Palazzo Feroni Finanziaria S.p.A.	30	(5,899)	(1,535)	48,313	1	70	(77)	-	(51,066)
Lungarno Alberghi S.r.l.	51	(1,935)	(675)	17,185	8	-	(4)	-	(18,888)
Ferragamo Foundation	2	(170)	-	-	-	-	(50)	-	-
Companies connected to members of the Board of Directors									
Dal Borro S.r.l.	-	(27)	-	-	-	-	(5)	-	-
Bacco S.r.l.	-	(3)	-	5	-	-	-	-	(6)
Baia di Scarlino S.r.l.	3	-	-	-	3	-	-	-	-
Caretti & Associati S.r.l.	-	(50)	-	-	-	-	-	-	-
Castiglion del Bosco S.a.r.l.	7	(18)	-	-	-	-	(3)	-	-
Castiglion del Bosco Hotel S.r.l.	9	-	-	-	-	-	-	-	-
Il Borro S.r.l. Società agricola	6	(1)	-	-	5	-	(1)	-	-
Rubino S.r.l.	-	-	-	-	-	2	-	-	-
Nautor Swan S.r.l.	-	(17)	-	-	-	-	-	-	-
Osteria del Borro S.r.l.	4	-	-	-	-	-	-	-	-
Windows on Italy S.r.l.	-	(4)	-	-	-	-	(4)	-	-
Prisma Property Investment Management S.r.l.	1	-	-	-	-	-	-	-	-
Vivia di Vivia Ferragamo & C. SAS	-	(179)	-	-	-	-	(20)	-	-
Harbour City Estates Limited	-	(5,656)	(193)	16,166	-	697	-	-	(16,940)
Imaginex Management Co. Ltd.	-	(2)	-	-	-	-	-	-	-
Times Square Ltd.	-	(965)	-	-	-	2	(50)	-	-
Harriman Property Management Limited	-	(1)	-	-	-	-	-	-	-
Harriman Leasing Limited	-	(3)	-	-	-	752	-	-	-
Long Jin Complex Development (Chengdu) Co. Ltd	-	(2,399)	(496)	12,636	-	761	(10)	-	(13,199)
Dalian Times Square Commercial Co. Ltd.	-	(604)	(68)	1,452	-	193	-	-	(1,614)
Pedder Group Limited	-	-	-	-	3	-	-	-	-
Pedder Vision Limited	31	-	-	-	10	-	-	-	-
OIS Realty Limited	-	(477)	(17)	543	-	128	-	-	(546)
Shanghai Wheelock square Development Co. Ltd.	-	(727)	(41)	886	-	239	-	-	(911)
Wharf IFS (Chengdu) Property Management Limited Company	-	(77)	-	-	-	-	-	-	-
Shanghai Harriman Property Management Co. Ltd.	-	(111)	-	-	-	30	-	-	-
Wharf (China) Property Management Co. Ltd - IFS Branch	-	(54)	-	-	-	-	-	-	-
Chongquing Jiayi Real Estate Development Co Ltd.	-	(343)	(13)	177	-	111	-	-	(195)
Chengdu Times Outlets Commerce Co., Ltd	-	(233)	-	3	-	4	(3)	-	(3)
Other related parties									
Massimo Ferragamo	-	(127)	-	-	-	-	(33)	-	-
Riccardo Ferragamo	-	(30)	-	-	-	-	-	(2)	-
Federica Anichini	-	(49)	-	-	-	-	-	-	-
Angiolo Anichini	-	(271)	-	-	-	-	-	(75)	-
Giuseppe Anichini	-	(5)	-	-	-	-	-	-	-
Directors, Statutory Auditors and Managers with strategic responsibilities									
Directors, Statutory Auditors and Managers with strategic responsibilities	-	(7,372)	-	-	-	-	-	(1,792)	-
Total	**180**	**(27,884)**	**(3,061)**	**97,959**	**44**	**5,556**	**(260)**	**(1,869)**	**(103,990)**
Group total	**1,135,520**	**(992,040)**	**(50,514)**	**500,047**	**112,670**	**48,265**	**(183,792)**	**(58,929)**	**(597,242)**
% ratio	**0.0%**	**2.8%**	**6.1%**	**19.6%**	**0.0%**	**11.5%**	**0.1%**	**3.2%**	**17.4%**

31 December 2020*

(In thousands of Euro)	Revenues	Operating costs (net of other income)	Financial charges	Right-of-use assets	Trade receivables	Other assets	Trade payables	Other current liabilities	Lease liabilities
Holding company:									
Ferragamo Finanziaria S.p.A. (company which exercises management and coordination on Salvatore Ferragamo S.p.A.)	-	(81)	(25)	668	-	2,690	-	-	(690)
Related companies									
Palazzo Feroni Finanziaria S.p.A.	30	(6,370)	(1,603)	42,969	2	70	(133)	-	(45,426)
Lungarno Alberghi S.r.l.	39	(1,782)	(727)	18,805	-	-	(1)	-	(20,254)
Ferragamo Foundation	2	(170)	-	-	-	-	(50)	-	-
Companies connected to members of the Board of Directors									
Arpa S.r.l.	-	(31)	-	-	2	-	(19)	-	-
Bacco S.r.l.	-	(3)	-	8	-	-	-	-	(8)
Baia di Scarlino S.r.l.	6	-	-	-	2	-	-	-	-
Caretti & Associati S.r.l.	-	(202)	-	-	-	-	-	-	-
Castiglion del Bosco S.a.r.l.	-	(21)	-	-	-	-	(11)	-	-
Castiglion del Bosco Hotel S.r.l.	1	-	-	-	-	-	-	-	-
Il Borro S.r.l. Società agricola	2	2	-	-	3	-	-	-	-
The European House Ambrosetti S.p.A.	-	(12)	-	-	-	-	(8)	-	-
Prisma Property Investment Management S.r.l.	1	-	-	-	1	-	-	-	-
Vivia di Vivia Ferragamo & C. SAS	-	(44)	-	-	-	-	(14)	-	-
Harbour City Estates Limited	-	(8,583)	(753)	18,838	269	2,609	(208)	-	(18,703)
Imaginex Management Co. Ltd.	-	3	-	-	-	-	-	-	-
Times Square Ltd.	-	(1,628)	(10)	-	32	-	(141)	-	-
Harriman Property Management Limited	-	(5)	-	-	-	-	-	-	-
Harriman Leasing Limited	-	(2)	-	-	-	698	-	-	-
Lane Crawford (Hong Kong) Limited	-	(1)	-	-	-	-	-	-	-
Long Jin Complex Development (Chengdu) Co. Ltd	-	(2,373)	(148)	13,277	-	581	(3)	-	(13,453)
Dalian Times Square Commercial Co. Ltd.	-	(541)	(85)	1,807	-	173	-	-	(1,967)
Pedder Group Limited	58	-	-	-	25	-	-	-	-
OIS Realty Limited	-	(508)	(30)	937	-	119	(1)	-	(932)
Shanghai Wheelock square Development Co. Ltd.	-	(649)	(49)	1,331	-	214	-	-	(1,361)
Shanghai Harriman Property Management Co. Ltd.	-	(100)	-	-	-	26	-	-	-
Wharf (China) Property Management Co. Ltd - IFS Branch	-	(102)	-	-	-	-	-	-	-
Chongquing Jiayi Real Estate Development Co Ltd.	-	(297)	(24)	430	-	100	-	-	(499)
Chengdu Times Outlets Commerce Co., Ltd	-	(183)	-	-	-	4	(4)	-	-
Other related parties									
Massimo Ferragamo	-	(66)	-	-	-	-	(31)	-	-
Riccardo Ferragamo	-	(17)	-	-	-	-	-	-	-
Vivia Ferragamo	-	(50)	-	-	-	-	-	-	-
Edoardo Ferragamo	-	(6)	-	-	-	-	-	-	-
Directors, Statutory Auditors and Managers with strategic responsibilities									
Directors, Statutory Auditors and Managers with strategic responsibilities	-	(3,503)	-	-	-	-	-	(1,347)	-
Total	**139**	**(27,325)**	**(3,454)**	**99,070**	**336**	**7,284**	**(624)**	**(1,347)**	**(103,293)**
Group total*	**876,512**	**(614,079)**	**(79,771)**	**475,240**	**113,909**	**51,518**	**(136,399)**	**(29,362)**	**(567,909)**
% ratio	**0.0%**	**4.4%**	**4.3%**	**20.8%**	**0.3%**	**14.1%**	**0.5%**	**4.6%**	**18.2%**

* The data for the year 2020 were restated following the classification of the fragrances business as discontinued operation.

Sales and purchases between related parties are carried out at normal market prices. The outstanding balances at the end of the period are not backed by guarantees, do not generate interest, and are settled in cash. Bank guarantees were issued in favor of Palazzo Feroni Finanziaria S.p.A. (1,683 thousand Euro), in favor of Lungarno Alberghi S.r.l. (488 thousand Euro), and in favor of Ferragamo Finanziaria S.p.A. (23 thousand Euro): they concerned the leasing of properties owned by said companies. There are no other guarantees, given or received, relating to receivables and payables with related parties. The Group has not set aside any provision for bad debt in relation to amounts due from related parties.

Specifically:

Holding company

Ferragamo Finanziaria S.p.A.

Under the domestic fiscal unity in which the Parent company Salvatore Ferragamo S.p.A. participates together with Ferragamo Finanziaria S.p.A. (consolidating entity), Other current assets included 2,567 thousand Euro in corporate income tax (IRES) receivables of Salvatore Ferragamo S.p.A..

Salvatore Ferragamo S.p.A. has one outstanding lease contract with Ferragamo Finanziaria S.p.A. concerning the lease of an industrial shed adjacent to the Osmannoro facility, which the Parent company converted into a design and prototyping laboratory for the development of leather goods. Since it falls within the scope of IFRS 16, the lease was accounted for by recognizing a right-of-use asset, depreciated over the lease term, and a corresponding lease liability.

Related companies

These transactions mainly refer to trade transactions that affected revenues, operating costs, trade receivables and payables, right-of-use assets, lease liabilities, and other assets and liabilities. They include mainly:

- sale of products;
- leases; if they fall within the scope of IFRS 16, they are accounted for accordingly (i.e. by recognizing right-of-use assets, lease liabilities, depreciation expense, and financial charges), otherwise lease payments are recognized through profit or loss on a straight-line basis over the lease term and the relevant payables are included in Trade payables;
- rendering of services.

In particular, the following transactions should be noted:

Palazzo Feroni Finanziaria S.p.A.

Revenues and the relevant receivables largely refer to IT and administrative services.

Right-of-use assets and lease liabilities, operating costs (net of the reduction in lease payments granted because of the Covid-19 pandemic), and finance expense largely refer to leases for the headquarters in Florence and some stores of the Italian chain, which mostly fall within the scope of IFRS 16. Other assets refer to the relevant guarantee deposits.

Lungarno Alberghi S.r.l.

Revenues (and the relevant credit balances) refer to product sales; right-of-use assets, lease liabilities, operating costs, and interest expense largely refer to the lease of a space used as a store of the Italian retail chain, which falls within the scope of IFRS 16.

Ferragamo Foundation

The costs (and the related accounts payable balances) incurred refer for 100 thousand Euro to the services provided for the management of the Salvatore Ferragamo historical archive (100 thousand Euro in 2020) and for 70 thousand Euro to donations to support the institutional activities of the Foundation (70 thousand Euro in 2020).

Companies connected to members of the Board of Directors

These transactions mainly refer to trade transactions that affected revenues, operating costs, trade receivables and payables, right-of-use assets, lease liabilities, and other assets and liabilities. They include mainly:

- sale of products;
- leases; if they fall within the scope of IFRS 16, they are accounted for accordingly (i.e. by recognizing right-of-use assets, lease liabilities, depreciation expense, and financial charges), otherwise lease payments are recognized through profit or loss on a straight-line basis over the lease term and the relevant payables are included in Trade payables;
- rendering of services.

In particular, the following transactions should be noted:

Harbour City Estates Limited

Right-of-use assets and lease liabilities, operating costs (net of the reduction in lease payments granted because of the Covid-19 pandemic), and financial charges largely refer to leases for premises in Hong Kong, including mainly the Canton Road flagship store, which mostly fall within the scope of IFRS 16. Other assets refer to the relevant guarantee deposits.

Times Square Ltd. and Harriman Leasing Limited

As regards Times Square Ltd., operating costs (and the relevant trade payables) mainly refer to rents for premises for a store in Hong Kong, while as regards Harriman Leasing Limited, they refer to the guarantee deposit for the same store in Hong Kong.

Long Jin Complex Development (Chengdu) Co. Ltd

Right-of-use assets and lease liabilities, operating costs, and financial charges refer to the lease for a store of Ferragamo Moda (Shanghai) Limited, which largely falls within the scope of IFRS 16, whereas other assets refer to the relevant guarantee deposit.

Dalian Times Square Commercial Co. Ltd.

Right-of-use assets and lease liabilities, operating costs, and financial charges refer to the lease for a store of Ferragamo Moda (Shanghai) Limited, which falls within the scope of IFRS 16, whereas other assets refer to the relevant guarantee deposit.

Shanghai Wheelock square Development Co. Ltd.

Right-of-use assets and lease liabilities, operating costs, and financial charges refer to the lease of the offices of Ferragamo Fashion Trading Shanghai Co. Limited and Ferragamo Moda Shanghai Limited, which falls within the scope of IFRS16, whereas other assets refer to the relevant guarantee deposits.

OIS Realty Limited

Right-of-use assets and lease liabilities, operating costs, and financial charges refer to the lease for the offices of Ferragamo Hong Kong Limited and Ferragamo Retail Hong Kong Ltd, which falls within the scope of IFRS 16, whereas other assets refer to the relevant guarantee deposit.

Chongquing Jiayi Real Estate Development Co Ltd.

Right-of-use assets and lease liabilities, operating costs, and financial charges refer to the lease for a store of Ferragamo Moda (Shanghai) Limited, which falls within the scope of IFRS 16, whereas other assets refer to the relevant guarantee deposit.

Other related parties

With respect to the other related parties, costs, and the relevant payables, refer to the cost incurred primarily by Salvatore Ferragamo S.p.A. and Ferragamo Usa Inc. under the working relationship in place during the year.

Directors, Statutory Auditors and Managers with strategic responsibilities

For information on Directors and Statutory Auditors, please refer to note 46 below.

The Managers with strategic responsibilities during 2021 are listed in the following table:

Full name	Role
Giacomo Ferragamo*	Brand & Product and Communication Manager and Director
Alessandro Corsi	Chief Financial Officer and Manager charged with preparing Company's Financial Reports

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

The costs associated with the managers with strategic responsibilities referred to the cost incurred by the Group as part of the employment relationship. In 2021, they amounted to 1,272 thousand Euro (compared to 721 thousand Euro in 2020, including 29 thousand Euro related to the imputed cost of the 2016-2020 Stock Grant Plan, which came to an end in 2020 without granting any shares in Salvatore Ferragamo S.p.A.). Typically, the managers with strategic responsibilities receive non-monetary benefits such as cars, mobile phones, and insurance policies.

46. Fees paid to Directors and Statutory Auditors

Directors

Full name (In thousands of Euro)	Position held	Term of office	End of term of office	Fees		Non-monetary benefits	Salaries, bonuses and other incentives	Other fees*	Total
				for the position held	as committee members				
Leonardo Ferragamo	Chair	1.01-31.12	a)	288	-		-	-	288
Angelica Visconti	Deputy Chair	1.01-31.12	a)	45	5	b) c) d) e)	305	-	355
Michele Norsa	Executive Deputy Chair	1.01-31.12		1,010	-	b) c) d)	-	977	1,987
Micaela Le Divelec Lemmi	Managing Director	1.01-07.09		2,598	-	b) c) d)	-	(40)	2,558
Giacomo Ferragamo	Director	22.04-31.12	a)	35	-	b) c) d)	712	-	747
Peter Woo Kwong Ching	Director	1.01-31.12	a)	-	-		-	-	-
Patrizia Michela Giangualano	Director	22.04-31.12	a)	35	21		-	-	56
Anna Zanardi Cappon	Director	22.04-31.12	a)	35	31		-	-	66
Annalisa Loustau Elia	Director	29.09-31.12	a)	13	5		-	-	18
Frédéric Biousse	Director	29.09-31.12	a)	13	-		-	-	13
Umberto Tombari	Director	1.01-31.12	a)	45	41		-	-	86
Ferruccio Ferragamo	Chair	1.01-22.04		127	-	b) c) d)	-	-	127
Giovanna Ferragamo	Director	1.01-22.04		61	-		45	-	106
Diego Paternò Castello di San Giuliano	Director	1.01-22.04		11	5		-	-	16
Francesco Caretti	Director	1.01-22.04		87	-		-	-	87
Marzio Alessandro Alberto Saà	Director	1.01-22.04		11	12		-	-	23
Chiara Ambrosetti	Director	1.01-22.04		11	11		-	-	22
Lidia Fiori	Director	1.01-22.04		11	11		-	-	22
Marinella Soldi	Director	22.04-27.07		13	7		-	-	20
Total				**4,449**	**149**		**1,062**	**937**	**6,597**

a) upon approval of the 2023 financial statements
b) car; c) mobile phone; d) insurance policies; e) accommodation.
* Fees reported net of any potential adjustment to fees referring to previous years.

Statutory Auditors

(In thousands of Euro) Full name	Position held	Term of office	End of term of office	Fees for the position held	Other fees*	Other fees received from subsidiaries	Grand total
Andrea Balelli	Chair	01.01-31.12	a)	64	15	-	79
Giovanni Crostarosa Guicciardi	Acting Statutory Auditor	01.01-31.12	a)	48	12	-	60
Paola Caramella	Acting Statutory Auditor	01.01-31.12	a)	48	12	-	60
Total				**160**	**39**		**199**

a) upon approval of the 2022 financial statements
* Other fees refer to amounts due for the position as Chair or member of the Supervisory Board pursuant to Italian Leg. Decree 231/2001
Please note that the members of the Board of Statutory Auditors have not received other fees from Group companies.

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

47. Commitments and risks

The breakdown of the risks and commitments is as follows:

(In thousands of Euro)	31 December 2021	31 December 2020
Sureties and guarantees provided by third parties to third parties in the interests of Group companies	23,804	21,500
Guarantees provided by Group companies to third parties in the interests of Group companies	136,176	132,806
Total	**159,980**	**154,306**

The sureties and guarantees provided by third parties in the interests of Group companies largely refer to sureties and guarantees on lease contracts entered into by Group companies, including a guarantee for 6 million US dollars (equal to 5,298 thousand Euro) relating to a lease contract of the Ferragamo Usa Group.

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

48. Public funds Disclosure as per art. 1 paragraphs 125-129 of Italian Law no. 124/2017

Pursuant to art. 1, paragraph 125, of Italian Law 124/2017, as for the requirement to disclose in the notes any funds received during the year in the form of aid, grants, paid services, and generally economic benefits of any kind from public administrations and the entities as per paragraph 125 of the same article, in 2021 the Italian entity Salvatore Ferragamo S.p.A. received 32 thousand Euro for paid curricular internships from Tuscany's Regional Government. In accordance with art. 3-quater of Italian Law Decree 135/2018, converted with the relevant amendments into Law no. 12 of 11 February 2019, with respect to the funds received, please refer to the information in the National State Aid Register as per article 52 of Italian Law no. 235 of 24 December 2012.

49. Significant non-recurring events and transactions

During 2021, the Salvatore Ferragamo Group did not carry out significant non-recurring transactions and no significant non-recurring events occurred.

50. Transactions arising from atypical and/or unusual transactions

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

51. Subsidiaries highlights

Subsidiaries highlights are shown in the table below.

(In thousands)	2021			2020	
Company	Currency	Revenues	Shareholders' equity	Revenues	Shareholders' equity
Ferragamo Australia Pty Ltd.	AUD	21,127	22,268	20,110	21,979
Ferragamo Japan K.K.	JPY	11,615,759	(3,007,093)	10,426,130	(2,474,038)
Ferragamo Korea Ltd.	KRW	122,803,691	88,194,233	105,606,624	82,060,002
Ferragamo Espana S.L.	EURO	8,969	3,615	4,461	3,732
Ferrimag Limited	HKD	-	126,415	-	125,726
Ferragamo Retail HK Limited	HKD	181,652	(198,471)	170,509	(72,822)
Ferragamo Retail Taiwan Limited	TWD	609,118	364,732	590,730	299,370
Ferragamo Mexico S. de R.L. de C.V.	MXN	1,295,421	745,713	910,960	652,873
Ferragamo Retail Nederland B.V.	EURO	2,852	1,246	2,538	1,185
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	CNY	1,487,790	776,599	1,346,174	582,964
Ferragamo (Singapore) Pte. Ltd.	SGD	14,520	(35,579)	12,471	(26,957)
Ferragamo (Thailand) Limited	THB	135,854	(152,679)	135,597	(110,759)
Ferragamo (Malaysia) Sdn Bhd	MYR	28,977	12,897	26,758	18,695
Ferragamo Hong Kong Ltd.	USD	202,154	117,947	164,093	125,527
Gruppo Ferragamo USA	USD	381,504	92,849	211,796	85,269
Ferragamo Deutschland GmbH	EURO	6,494	4,992	6,309	4,647
Ferragamo Belgique SA	EURO	2,024	692	921	669
Ferragamo Monte-Carlo S.A.M.	EURO	369	(465)	293	(74)
Ferragamo (Suisse) SA	CHF	7,132	1,546	4,872	1,546
Ferragamo U.K. Limited	GBP	13,383	5,665	10,347	5,142
Ferragamo France S.A.S.	EURO	13,508	9,607	9,409	10,625
Ferragamo Parfums S.p.A.*	EURO	-	-	39,739	21,562
Ferragamo Chile S.A.	CLP	780,176	(1,034,716)	440,210	(710,201)
Ferragamo Austria GmbH	EURO	2,797	4,073	1,442	3,983
Ferragamo Retail India Private Limited	INR	-	(441,521)	-	(446,037)
Ferragamo Retail Macau Limited	MOP	82,729	59,253	55,624	69,541
Ferragamo Moda (Shanghai) Co.Ltd.	CNY	320,194	7,722	306,581	(10,215)
Ferragamo Brasil Roupas e Acessorios Ltda.	BRL	44,743	22,981	25,988	21,101
Ferragamo Argentina S.A.	ARS	197,463	37,295	121,023	(9,629)

* Ferragamo Parfums S.p.A. was merged into Salvatore Ferragamo S.p.A. during 2021.

52. Significant events occurred after 31 December 2021

On 1 January 2022, Mr Marco Gobbetti took on the position of director, Managing Director and General Manager of the Company, with all the powers of ordinary administration, as per the resolution of the company's Board of Directors dated 14 December 2021, while Michele Norsa resigned from his position as director and Executive Deputy Chair. Effective 1 January 2022, the director Angelica Visconti took on the position of the Company's Deputy Chair.

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

Type of services (In thousands of Euro)	Subject which supplied the service	Recipient	Notes	Total fees for 2021
Audit	Independent Auditors of the Parent company	Parent company		252
Other Services	i) Independent Auditors of the Parent company	Parent company	1	51
	ii) Independent Auditors' network of the Parent company	Parent company	2	104
Subtotal				**407**
Audit	i) Independent Auditors of the Parent company	Subsidiaries		87
	ii) Independent Auditors' network of the Parent company	Subsidiaries		555
Other Services	i) Independent Auditors' network of the Parent company	Subsidiaries		9
Subtotal				**651**
Total				**1,058**

1) The item refers to the certification of the Consolidated Non-Financial Statement.
2) The item largely refers to services supporting IT assessments and services rendered to Risk Management.

Florence, 8 March 2022

On behalf of the Board of Directors

The Chair
Leonardo Ferragamo

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

1. The undersigned Marco Gobbetti in his capacity as "Managing Director" and Alessandro Corsi in his capacity as "Manager charged with preparing Company's Financial Reports" of Salvatore Ferragamo S.p.A. certify, having also taken account of the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - the adequacy in relation to the company's structure and
   - the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements for the 1 January – 31 December 2021 period.

2. The adequacy of the administrative and accounting procedures for the preparation of the 2021 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 2021:

a. have been prepared in accordance with the applicable international accounting standards as endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council, dated 19 July 2002, and subsequent integrations;

b. correspond with accounting books and records;

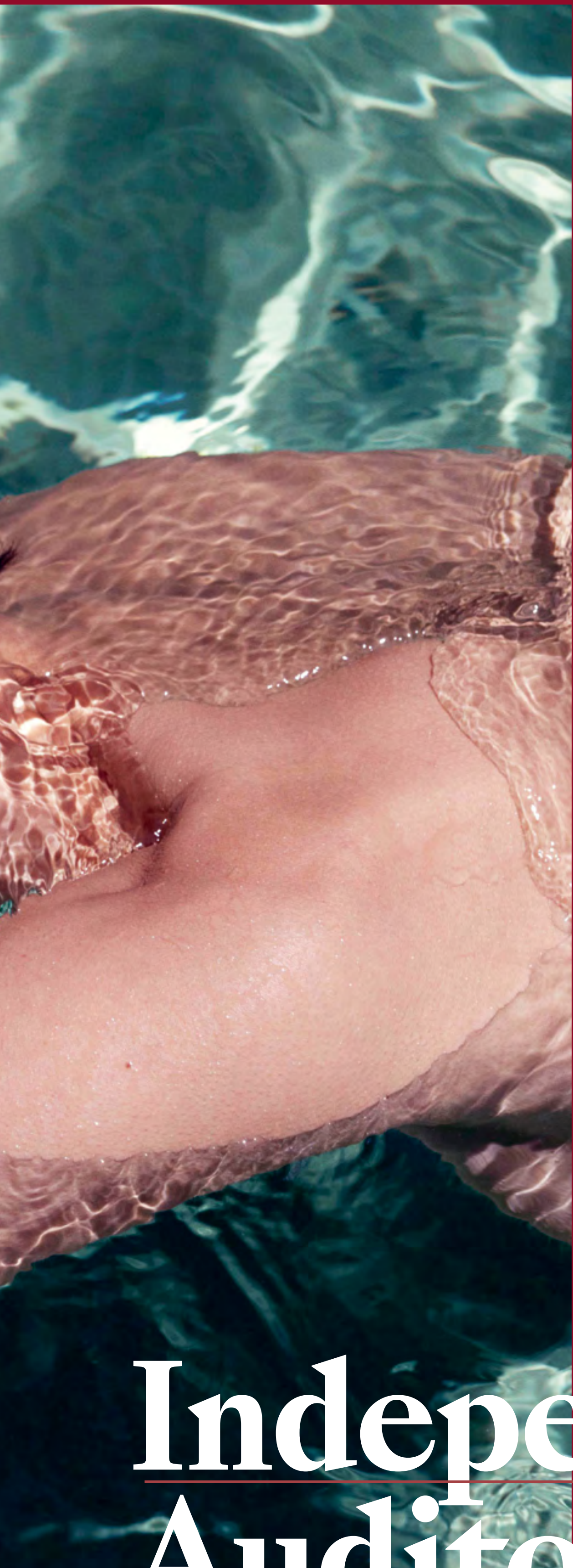
c. are suitable to provide a true and fair representation of the financial conditions, results of operations and cash flows of the Company and of the group of companies included in the consolidation area.

3.2 The Directors' report on operations includes a reliable analysis of operating performance and results, as well as of the situation of the Company and of the group of companies included in the consolidation area, as well as a description of the main risks and uncertainties to which they are exposed.

Florence, 8 March 2022

Managing Director
Marco Gobbetti

Manager charged with preparing
Company's Financial Reports
Alessandro Corsi



Independent Auditor’s Report

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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Salvatore Ferragamo Group (the "group"), which comprise the statement of financial position as at 31 December 2021, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Salvatore Ferragamo Group as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Salvatore Ferragamo S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of inventories

Notes to the consolidated financial statements: note 2 "Basis of preparation" and note 14 "Inventories"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2021 include inventories of €275 million, net of the allowance for inventory write-down of €76 million. Determining the allowance for inventory write-down is a complex accounting estimate, entailing a high level of judgement as it is affected by many factors, including: — the characteristics of the group's business sector; — the market performance and fashion trends; — the age of the collection in stock; — pricing policies and sales ability through the different distribution channels; — the emergency situation caused by Covid-19. For the above reasons, we believe that the measurement of inventories is a key audit matter.	Our audit procedures included: — understanding the process for the measurement of inventories and assessing the design and implementation of material controls; — analysing changes in inventories during the year, considering their expected life cycle based on their age; — analysing documents and discussing the assumptions adopted to calculate the allowance for inventory write-down with the relevant internal departments, in order to understand the assumptions underlying the expectations of how goods will be sold and comparing those assumptions with historical figures and our knowledge of the group and its operating environment; — assessing the appropriateness of the disclosures provided in the notes about inventories.

Other matters

Management and coordination

As required by the law, the parent disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own consolidated financial statements. Our opinion on the consolidated financial statements of the Salvatore Ferragamo Group does not extend to such data.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The parent's directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The parent's directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 18 April 2019, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2020 to 31 December 2028.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2021 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2021 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2021 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Salvatore Ferragamo S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Florence, 21 March 2022

KPMG S.p.A.

(signed on the original)

Riccardo Cecchi
Director


Ferragamo

Separate Financial Statements

as at 31 December 2021

Separate Financial Statements as at 31 December 2021

Financial Statements

Statement of financial position – assets

(In Euro)	Notes	31 December 2021	of which with related parties	31 December 2020	of which with related parties
NON CURRENT ASSETS					
Property, plant and equipment	6	97,703,434		105,025,191	
Right-of-use assets	7	104,744,422	66,095,837	95,734,537	62,450,054
Goodwill	8	6,679,274		6,679,274	
Intangible assets with a finite useful life	9	31,645,980		35,346,341	
Investments in subsidiaries	10	146,830,295		168,355,514	
Other non current assets	11	1,887,605		1,026,289	
Other non current financial assets	12	337,584	72,000	293,616	70,000
Deferred tax assets	41	23,302,008		26,872,654	
TOTAL NON CURRENT ASSETS		**413,130,602**	**66,167,837**	**439,333,416**	**62,520,054**
CURRENT ASSETS					
Inventories	13	80,515,271		91,350,426	
Right of return assets	14	11,759,267		9,688,383	
Trade receivables	15	165,077,406	131,147,473	144,139,153	112,186,149
Tax receivables	16	16,917,269		3,879,883	
Other current assets	17	7,001,740	2,566,859	14,476,755	2,688,967
Other current financial assets	18	98,902,766	98,306,561	166,938,839	166,651,372
Cash and cash equivalents	19	356,104,668		212,453,231	
TOTAL CURRENT ASSETS		**736,278,387**	**232,020,893**	**642,926,670**	**281,526,488**
TOTAL ASSETS		**1,149,408,989**	**298,188,730**	**1,082,260,086**	**344,046,542**

Statement of financial position – liabilities and shareholders' equity

(In Euro)	Notes	31 December 2021	of which with related parties	31 December 2020	of which with related parties
SHAREHOLDERS' EQUITY					
Share capital	20	16,879,000		16,879,000	
Reserves	20	616,143,464		673,921,547	
Net profit/(loss) for the period		32,799,914		(34,070,066)	
TOTAL SHAREHOLDERS' EQUITY		**665,822,378**		**656,730,481**	
NON CURRENT LIABILITIES					
Non current interest-bearing loans & borrowings	21	52,011,308		113,490,643	
Provisions for risks and charges	22	46,943,249		36,872,126	
Employee benefit liabilities	23	6,332,987		6,503,770	
Other non current liabilities	24	370,822		420,822	
Non current lease liabilities	25	96,452,082	62,481,021	85,908,348	59,506,851
Deferred tax liabilities	41	2,897,557		6,126,963	
TOTAL NON CURRENT LIABILITIES		**205,008,005**	**62,481,021**	**249,322,672**	**59,506,851**
CURRENT LIABILITIES					
Trade payables	26	149,596,398	12,295,694	115,458,834	25,751,367
Refund liabilities	27	18,635,648		16,097,679	
Interest-bearing loans & borrowings	21	57,161,992		11,428,279	
Tax payables	28	4,733,374		2,753,523	
Other current liabilities	29	32,760,873	1,868,804	11,007,165	1,346,384
Current lease liabilities	25	15,177,449	8,100,939	15,792,103	6,871,759
Other current financial liabilities	30	512,872		3,669,350	
TOTAL CURRENT LIABILITIES		**278,578,606**	**22,265,437**	**176,206,933**	**33,969,510**
TOTAL LIABILITIES		**483,586,611**	**84,746,458**	**425,529,605**	**93,476,361**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,149,408,989**	**84,746,458**	**1,082,260,086**	**93,476,361**

Income statement

(In Euro)	Notes	2021	of which with related parties	2020	of which with related parties
Revenues from contracts with customers	32	564,002,658	404,133,802	561,058,332	398,664,215
Change in inventories of finished products		(21,821,700)		(13,492,168)	
Costs for raw materials, goods and consumables	33	(150,135,473)	(299,445)	(158,818,927)	(451,608)
Costs for services	34	(202,286,107)	(10,033,854)	(202,627,748)	(6,002,917)
Personnel costs	35	(70,173,431)	(1,932,845)	(58,909,516)	(909,067)
Amortization, depreciation and write-downs	36	(40,206,176)	(7,865,274)	(44,308,779)	(9,094,195)
Other operating costs	37	(34,894,021)	(30,029,764)	(131,133,330)	(126,053,592)
Other income and revenues	38	15,709,111	3,516,586	9,104,839	1,537,224
Operating profit/(loss)		**60,194,861**		**(39,127,297)**	
Financial charges	39	(42,921,979)	(2,232,622)	(103,696,706)	(2,356,016)
Financial income	40	33,879,425	11,858,131	91,124,313	51,173,559
Profit/(loss) before taxes		**51,152,307**		**(51,699,690)**	
Income Taxes	41	(11,482,713)		17,629,624	
Net profit/(loss) from continuing operations		**39,669,594**		**(34,070,066)**	
Net profit(/loss) from discontinued operation	5	(6,869,680)	(1,699,061)	-	-
Net profit/(loss) for the period		**32,799,914**		**(34,070,066)**	

Statement of comprehensive income

(In thousands of Euro)	Notes	2021	2020
Net profit/(loss) for the period (A)		**32,800**	**(34,070)**
Other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period			
- Net gain/(loss) from cash flow hedge	3	(15,167)	5,593
- Tax consequences on components that will be subsequently reclassified to net profit/(loss) for the period		3,640	(1,342)
Total other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)		**(11,527)**	**4,251**
Other income/(losses) that will not be subsequently reclassified to net profit/(loss) for the period			
- Net gain/(loss) from recognition of defined-benefit plans for employees	23	757	(282)
- Tax consequences on components that will not be subsequently reclassified to net profit/(loss) for the period		(182)	68
Total other income/(losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes (B2)		**575**	**(214)**
Total other income/(losses) for the period, net of taxes (B1+B2 = B)		**(10,952)**	**4,037**
Total comprehensive income for the period, net of taxes (A+B)		**21,848**	**(30,033)**

Statement of cash flows

(In Euro)	Notes	2021	of which with related parties	2020	of which with related parties
Net profit/(loss) for the period		**32,799,914**		**(34,070,066)**	
Adjustments to reconcile net profit (loss) to net cash from (used in) operating activities:					
Amortization, depreciation and write-downs of tangible and intangible assets and right-of-use assets	6-7-9	42,328,531	(7,865,274)	44,308,779	(9,094,195)
Income Taxes	41	11,644,261		(17,629,624)	
Provision for employee benefit plans	23	(10,158)		29,818	
Allocation to / (use of) the provision for obsolete inventory	13	(180,466)		6,623,961	
Allocation to / (use of) the provisions for risks and charges	22	(81,050)		1,037,140	
Losses and net provisions for bad debt	15	(2,279,717)		(67,249)	
Losses / (gains) on disposal of tangible and intangible assets		48,213		27,192	
Write-down / (revaluation) of investments in subsidiaries	10	10,836,766		46,157,739	
Stock grant plan costs		-		45,276	
Interest expense and interest expense on lease liabilities	39	3,822,246	2,232,622	4,234,748	2,356,016
Interest income	40	(1,477,143)	(1,294,510)	(2,579,837)	(1,808,072)
Dividend income from subsidiaries	40	(10,563,596)	(10,563,596)	(49,365,452)	(49,365,452)
Other non-monetary items		(123,112)	(299,064)	(4,657,709)	(1,277,192)
Changes in operating assets and liabilities:					
Trade receivables	15	2,013,524	(18,961,324)	46,342,012	49,206,165
Inventories	13	17,317,133		22,476,973	
Trade payables	26	20,989,977	(13,455,673)	(29,379,486)	16,080,446
Other receivables and tax payables	16-28	(15,453,979)		(73,133)	
Employee benefits payments	23	(1,222,917)		(374,497)	
Other assets		2,578,685	(2,000)	288,619	
Other liabilities		6,877,839	522,420	(5,056,126)	(917,443)
Other net	22	(1,238,069)		(387,688)	
Income taxes paid		(1,281,523)	-	(12,764,454)	(9,177,694)
Interest expense and interest expense on lease liabilities paid		(3,838,531)	(2,246,934)	(4,338,539)	(2,409,007)
Interest received		1,477,143	1,294,510	2,579,837	1,808,072
Dividends received		10,563,596	10,563,596	49,365,452	49,365,452
Net Cash from (used in) operating activities		**125,547,567**	**(40,075,227)**	**62,773,686**	**44,767,096**
Cash flow from investing activities:					
Purchase of tangible assets	6	(5,061,534)	(65,000)	(3,096,668)	
Purchase of intangible assets	9	(7,290,189)		(5,568,064)	
Acquisition of Arts S.r.l. and Aura 1 S.r.l. net of cash acquired	30	(3,628,943)		(7,581,385)	
Proceeds from the sale of Parfums Italia S.r.l. net of cash sold	5	17,128,000			
Proceeds from the sale of tangible and intangible assets		48,137		20,409	
Net change in financial receivables	18	54,344,813	54,344,813	(66,877,862)	(66,877,862)
Net Cash from (used in) investing activities		**55,540,284**	**54,279,813**	**(83,103,570)**	**(66,877,862)**
Cash flow from financing activities:					
Net change in financial payables	21	(17,457,310)		124,918,922	
Repayment of lease liabilities	25	(14,819,330)	(6,994,331)	(12,224,137)	(6,499,356)
Treasury share repurchase	20	(12,756,513)		-	
Net Cash from (used in) financing activities		**(45,033,153)**	**(6,994,331)**	**112,694,785**	**(6,499,356)**
Net Increase/(Decrease) in Net Cash and Cash Equivalents		**136,054,698**		**92,364,901**	
Opening Net Cash and Cash Equivalents		**212,453,231**		**120,088,330**	
Net increase/(decrease) in net cash and cash equivalents		136,054,698		92,364,901	
Cash from the merger of Ferragamo Parfums S.p.A.	5	7,596,739		-	
CLOSING NET CASH AND CASH EQUIVALENTS	19	**356,104,668**		**212,453,231**	

Statement of changes in shareholders' equity

Note 20

(In thousands of Euro)	Share capital	Treasury share reserve	Legal reserve	Share capital contributions	Extraordinary reserve	Revaluation reserve	Cash flow hedge reserve	Effect IAS 19 Equity	Other reserves	Profit/ (Loss) for the period	Total Shareholders' Equity
As at 01.01.2021	**16,879**	**(2,776)**	**4,188**	**2,995**	**628,530**	**25,478**	**5,123**	**(1,706)**	**12,089**	**(34,070)**	**656,730**
Profit/(loss) for 2021										32,800	32,800
Other comprehensive income/ (losses)							(11,527)	575			(10,952)
Total comprehensive income (loss)	**-**		**-**	**-**	**-**	**-**	**(11,527)**	**575**	**-**	**32,800**	**21,848**
Allocation of 2020 result					(34,070)					34,070	-
Treasury share repurchase		(12,756)									**(12,756)**
Other changes from Merger								(481)	481		-
Reclassification					60				(60)		-
As at 31.12.2021	**16,879**	**(15,532)**	**4,188**	**2,995**	**594,520**	**25,478**	**(6,404)**	**(1,612)**	**12,510**	**32,800**	**665,822**

(In thousands of Euro)	Share capital	Treasury share reserve	Legal reserve	Share capital contributions	Extraordinary reserve	Revaluation reserve	Cash flow hedge reserve	Effect IAS 19 Equity	Other reserves	Profit/ (Loss) for the period	Total Shareholders' Equity
As at 01.01.2020	**16,879**	**(2,776)**	**4,188**	**2,995**	**504,319**	**25,478**	**872**	**(1,492)**	**12,010**	**124,211**	**686,684**
Profit/(loss) for 2020										(34,070)	(34,070)
Other comprehensive income/ (losses)							4,251	(214)			4,037
Total comprehensive income (loss)	**-**		**-**	**-**	**-**	**-**	**4,251**	**(214)**	**-**	**(34,070)**	**(30,033)**
Allocation of 2019 result					124,211					(124,211)	-
Stock Grant Reserve									79		**79**
As at 31.12.2020	**16,879**	**(2,776)**	**4,188**	**2,995**	**628,530**	**25,478**	**5,123**	**(1,706)**	**12,089**	**(34,070)**	**656,730**

Explanatory Notes to the Separate Financial Statements

1. Corporate information

Salvatore Ferragamo S.p.A. is incorporated in Italy, with registered office in via Tornabuoni 2 Florence, as a joint-stock company under Italian law and adopts a conventional administration and control model, with the Shareholders' Meeting, the Board of Directors, and the Board of Statutory Auditors. The Company's Shares are traded on Euronext Milan (formerly known as Mercato Telematico Azionario), organized and operated by Borsa Italiana S.p.A..

The Company is one of the main players in the luxury sector and dates back to 1927.
The separate financial statements for the year ended 31 December 2021 were approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 8 March 2022.

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

1.1 Management and coordination

Pursuant to art. 2497 ff. of the Italian Civil Code, the Company Salvatore Ferragamo S.p.A. is subject to management and coordination by Ferragamo Finanziaria S.p.A., whose consolidated financial statements are available at the registered office in Florence, Via Tornabuoni, 2.

In compliance with the provisions of art. 2497-bis, paragraph 4 of the Italian Civil Code, the key data from the financial statements of the Holding company Ferragamo Finanziaria S.p.A. as at 31 December 2020 and 2019 is given below.

Ferragamo Finanziaria S.p.A.

(In Euro)	31 December 2020	31 December 2019
STATEMENT OF FINANCIAL POSITION		
ASSETS		
B) Fixed assets	170,394,472	169,342,251
C) Current assets	47,129,668	64,709,800
D) Accruals and Deferrals	20,122	703
TOTAL ASSETS	**217,544,262**	**234,052,754**
LIABILITIES AND SHAREHOLDERS' EQUITY		
A) Shareholders' equity		
- Share capital	49,749,960	49,749,960
- Reserves	165,265,596	146,489,807
- Profit (Loss) for the year	(1,669,694)	27,864,724
B) Provisions for risks and charges	22,272	-
D) Payables	3,787,573	9,872,739
E) Accruals and Deferrals	388,555	75,524
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**217,544,262**	**234,052,754**
INCOME STATEMENT		
A) Value of production	230,277	126,413
B) Costs of production	(2,866,086)	(2,244,396)
Difference between value and costs of production	**(2,635,809)**	**(2,117,983)**
C) Financial income and charges	12,326	31,158,341
Profit before taxes	**(2,623,483)**	**29,040,358**
Income taxes for the year, current and deferred	953,789	(1,175,634)
Profit (loss) for the year	**(1,669,694)**	**27,864,724**

2. Statement of compliance with IFRS and basis of presentation

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

Financial statement structure adopted

The separate financial statements of Salvatore Ferragamo S.p.A. as at 31 December 2021 comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in shareholders' equity and the related explanatory notes.

The statement of financial position, the income statement and the statement of cash flows are presented in Euro, while the statement of comprehensive income and the statement of changes in shareholders' equity and the related explanatory notes are presented in thousands of Euro, unless otherwise indicated.

The Company's statement of financial position distinguishes between current and non current assets and liabilities, where:

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

The income statement is shown in accordance with a classification of costs by nature. The statement of cash flows has been prepared according to the indirect method and is presented in compliance with IAS 7, breaking down financial flows into operating, investing and financing activities.

It should be noted that in reference to CONSOB Resolution no. 15519 of 27 July 2006 and Communication no. DEM/6064293 of 28 July 2006, the financial statements show significant transactions with related parties, in order to provide better disclosure.

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

Accounting standards

General notes

The Separate Financial Statements have been prepared according to the historical cost principle, except for derivatives and financial assets classified as held for sale, which are recorded at fair value, and on a going concern basis.

The accounting standards adopted in the Separate Financial Statements as at 31 December 2021 are the same as those adopted in previous years with the exception of international accounting standards newly adopted in 2021.

Discretionary valuations and significant accounting estimates

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

The main estimated data refer to:

- provisions for obsolete inventory of raw materials, accessories and finished products; since the Company's products are subject to fashion market trends, product inventories at the end of the season are subject to impairment. Specifically, the provision for obsolete inventory of finished products reflects management's estimate of the expected impairment losses on the products of the collections of previous seasons, considering the ability to sell them through the Company's various distribution channels. Generally, impairment assumptions involve percentages of impairment that become greater the older the collections are, so as to reflect the decline in selling prices in secondary channels (mainly outlets) on the one hand, and on the other hand, the decrease in the probability of selling them as time goes by. This percentage is based on both a statistical analysis of the change in inventory age and an assessment of the consistency in the use of percentages over time. In case of changes in available information, the percentages are reassessed and adjusted as needed. The provision for obsolete raw materials reflects management's estimates of the decline in the probability they will be used based on the calculation of slow-moving raw materials;
- provision for bad debt relating to wholesale sales, which is linked to the solvency and standing of customers with whom the Company has well-established and consolidated relations; the Company uses a matrix to calculate Expected Credit Losses (ECLs) on trade receivables. The provisioning rates are based on the days past due for each customer category grouped in the different segments that present similar historical loss experiences (for instance, by geographic area, product type, customer type, rating, and guarantees). The matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (for example, country risk) are expected to deteriorate over the next year, which can lead to an increased number of defaults in the country concerned, the historical default rates are adjusted accordingly. At every reporting date, the Company updates historical observed default rates and analyzes changes in forward-looking estimates. The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and in forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. For more details on the analysis of *credit risks, please refer to notes 3 and 15*;
- *provisions for risks and charges, in particular* expected future expenses and costs relating to ongoing or foreseeable disputes;
- rights of return to adjust revenues from contracts with customers, where envisaged under contracts to sell items or customary business practices. The Company has concluded that the expected value method is the most appropriate to estimate the amount of variable consideration on sales of goods with rights of return, considering the large number of contracts with similar characteristics;
- useful life of property, plant and equipment and intangible assets, as well as ensuring that development costs meet the recognition and measurement requirements for intangible assets;
- employee benefits, which are measured using actuarial assumptions; for the main actuarial assumptions, reference should be made to note 23 Employee benefit liabilities;
- deferred tax assets, which are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences or any tax losses can be utilized. In this regard, the Company's management estimates the likely timing and amount of future taxable profit;
- fair value of financial instruments, chief among them derivative instruments, which the Company uses extensively to hedge exchange rate risk; for details about the assumptions underlying the measurement of fair value, reference should be made to note 31 Financial instruments and fair value measurement;
- fair value of share-based payment plans, settled in either cash or shares, that the Company uses to provide incentives to the Group's management;

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

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

- Lease term: the identification of the lease term is a very significant issue, as the form, regulations, and business practices related to property lease agreements vary significantly from one jurisdiction to another, and assessing the impact on the estimated lease term of the options to renew the lease at the end of the non-cancellable period requires using assumptions. The IFRS Interpretation Committee clarified that, for the purposes of identifying the enforceable period, a lessee shall consider the contractual moment when both parties may exercise their right to terminate the contract without incurring penalties that are not immaterial; the concept of penalty is not to be interpreted in a strictly contractual sense, but shall rather be viewed considering all the economics of the contract. The Company has considered these conclusions in identifying the lease term. In defining the lease term, the Company considered whether either the lessee or lessor, or both, have renewal and termination options, respectively. When renewal options exercisable by both parties to the agreement exist, the Company considered whether there are significant economic incentives to refuse the renewal request, in accordance with paragraph B34 of IFRS 16. When there are options exercisable by only one of the two parties, the Company considered paragraph B35 of IFRS 16.
  Applying the above, considering the specifics facts and circumstances as well as the estimate of whether it will be reasonably certain that the option will be exercised, resulted in the following:
  - For annual leases that are automatically renewed except in the event of termination, the Company considered an average term of five years based on historical evidence;
  - In the other cases, if only the Company can exercise the option, we considered a lease term until the end of the second renewal term, based on historical evidence and the fact that a renewal beyond the second term could not be considered reasonably certain.

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

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

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

Impairment of Tangible assets (Property, plant and equipment), Right-of-use assets, Intangible assets with a finite useful life, Investments, and Goodwill

The book value of Property, plant and equipment, Right-of-use assets, Intangible assets with a finite useful life, and Investments is subject to impairment testing (events or changed situations suggesting that the book value cannot be recovered) 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 value in use is calculated based on discounted cash flow models using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset.

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

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

Goodwill is tested for impairment at least once a year (as at 31 December) or more often, when circumstances indicate that the carrying amount may be subject to impairment.

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

Climate change impact assessment

The impact of climate-related matters on the Company's financial statements is currently not material. The Company will assess whether and how the introduction of emission-reduction regulations could increase production costs and, should they have a material impact, it will include such assumptions in its estimates.

Disclosure on impairment

Concerning the identification of indicators of potential impairment losses as at 31 December 2021 (so-called trigger events), please note that in 2021, although the pandemic continues affecting the global economic outlook, the available forecasts regarding scenarios in the foreseeable future are consistent with the assumptions used in preparing the impairment tests for the Company's separate financial statements as at 31 December 2020. Therefore, the Company did not identify any indicators of potential impairment losses as at 31 December 2021 (so-called trigger events), other than the impairment losses already recognized in 2020.

Considering the lingering uncertainty over the economic scenario in which the Company operates, which is still affected by the Covid-19 pandemic, please note that, concerning the assets tested for impairment as at 31 December 2020 and on which the Company had recognized an impairment loss, in 2021 the Company decided not to calculate any reversal.

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 term of the asset's lease contract

The residual value of the asset, its useful life, and the depreciation methods applied are reviewed at the end of each year and adjusted on a prospective basis if necessary.

Should significant parts of these tangible assets have different useful lives, these components are accounted for separately. Land, whether it is free of construction or attached to buildings, is recorded separately and is not depreciated since it has an unlimited useful life.

The book value of property, plant and equipment is subject to review to record any impairment, should events or changed situations indicate that the book value cannot be recovered. If there is an indication of impairment and, should the book value exceed the presumed realizable value, assets are written down to reflect their realizable value. The realizable value of property, plant and equipment is the higher of the net sale price and the value in use.

In defining the value in use, the expected future cash flows are discounted using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset. The realizable value of an asset which does not generate broadly independent cash flows is determined in relation to the cash flow generating unit to which this asset belongs. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is restored should the reasons for it no longer exist.

The carrying amount of an item of property, plant and equipment and each initially recognized significant component is derecognized on disposal (i.e. on the date the buyer obtains control over it) or when no future economic benefits are expected from its use or disposal. The gain/loss arising from the derecognition of the asset (calculated as the difference between the net carrying amount of the asset and the consideration received) is included in profit or loss when the item is derecognized.

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. The contract is, or contains, a lease if it provides the right to control the use of a specific asset for a period of time in exchange for consideration.

The Company uses the exemption under IFRS16 for intangible assets.

The Company as lessee

The Company applies a single accounting model for all leases to which it is lessee, except for short-term leases and leases of low-value assets. The Company recognizes a financial lease liability and a right-of-use asset.

Right-of-use assets:

The Company recognizes a Right-of-use asset at the lease commencement date (that is the date on which the underlying asset is available for use by the lessee). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses determined as described below, and adjusted for any remeasurement of lease liabilities. The cost of Right-of-use assets includes the amount of the recognized lease liability, initial direct costs incurred, lease payments made at or before the commencement less any lease incentives received, and the estimate of costs to be incurred by the Company in restoring the underlying asset to its original condition, if required by the lease.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, depreciation is calculated on a straight-line basis over the shorter of the lease term and the useful life of the asset as follows:

	Useful life
Buildings	33 years
Equipment and other assets	3-5 years
Vehicles	3-4 years

Right of-use assets are tested for impairment should events or changes in circumstances indicate that the book value cannot be recovered. If there is an indication of impairment and, should the book value exceed the presumed realizable value, assets are written down to reflect their realizable value. The realizable value is the higher of the net sale price and the value in use. In defining the value in use, the expected future cash flows are discounted using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset. The realizable value of an asset which does not generate broadly independent cash flows is determined in relation to the cash flow generating unit to which this asset belongs. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is restored should the reasons for it no longer exist.

Lease liabilities:

At the commencement date of the lease, the Company recognizes a lease liability measured at the present value of future lease payments to be made over the lease term. Future payments include fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the Company is reasonably certain to exercise the option to terminate. The variable lease payments that do not depend on an index or a rate, but that in the case of the Company mainly depend on sales volumes, continue to be recognized as costs for services in profit or loss. In calculating the present value of future payments, the Company uses the Incremental Borrowing rate (IBR) at the lease commencement date. Subsequently, the lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the lease liability is remeasured to account for any change in the terms of the lease.

Short-term leases and leases of low-value assets:
The Company has elected not to apply IFRS 16 to short-term leases (leases with a lease term of 12 months or less) and leases for which the underlying asset is of low value (less than 5,000 Euro). Payments on these leases are recognized as expense on a straight-line basis in accordance with the terms and conditions of the lease.

The Company as lessor
Lease contracts in which the Company largely retains all the risks and benefits of ownership of the asset are classified as operating leases. The Company capitalizes the initial direct costs incurred in obtaining an operating lease and recognizes those costs as an expense over the lease term on the same basis as the lease income.

Business combinations and goodwill
Business combinations are accounted for using the acquisition method.

The acquisition cost is valued as the total of the transferred consideration measured at fair value at the acquisition date and the amount of any minority interests in the acquired company.

Business combinations between entities subject to joint control do not fall within the scope of application of IFRS 3. Should the business combination between entities subject to joint control not be of an economic nature but a mere corporate reorganization, the company will apply the business combination accounting method called "pooling of interest", thus aggregating the assets and liabilities to the book values on a line-by-line basis.

Intangible assets
Intangible assets are recorded among assets at purchase cost when the use of the asset is likely to generate future income and when the cost of the asset can be reliably established. Intangible assets acquired through business combinations are recorded at fair value as established at the acquisition date, if this value can be reliably established. Intangible assets with a finite useful life are amortized on a straight-line basis over their estimated useful life; the useful life is reviewed on an annual basis and any changes, where necessary, are applied on a prospective basis.

Intangible assets are shown net of the related accumulated amortization and any accumulated impairment determined in accordance with the method described below.

The useful lives of the main categories of intangible assets with a finite useful life are the following:

	Useful life
Industrial patents and intellectual property rights	2-5 years
Concessions, licenses and trademarks	10 years
Development costs	3-5 years
Know-how	8 years

An intangible asset is derecognized on disposal (i.e. on the date the buyer obtains control over it) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

The book value of intangible assets is subject to review to record any impairment, should events or changed situations indicate that the book value cannot be recovered. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is restored should the reasons for it no longer exist.

Development costs
Research costs are charged to the income statement when they are incurred.

Development costs incurred in relation to a particular project are capitalized only when the Company can demonstrate the technical possibility of completing the intangible asset in such a way as to make it available for use or for sale, as well as its intention to complete the asset in order to use it or sell it, the means by which it will generate probable future income, the availability of technical, financial or other resources to complete the development and its ability to make a reliable assessment of the cost attributable to the asset during its development.

During the development period, the asset is reviewed annually to assess any impairment. Following the initial recognition, development costs are assessed at cost less any accumulated amortization or impairment loss. Amortization of the asset starts when the development is completed and the asset is available for use. It is amortized with reference to the period in which the project is likely to generate revenues for the Company.

Industrial patents and intellectual property rights
Industrial patents and intellectual property rights refer to costs for software licenses and to costs for the deposit and registration of trademarks and patents relating to Company products.

Concessions, licenses, trademarks and similar rights
This item refers to costs for the deposit and registration of the Salvatore Ferragamo trademark. Purchase costs are amortized over the useful life of the right purchased.

Know-how
The item includes the know how acquired through the business combination of Arts S.r.l. and Aura 1 S.r.l., recognized at its fair value at the acquisition date. This charge is amortized over 8 years.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The general rule in IFRS 9 is that an entity shall recognize a financial asset or a financial liability on its balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Financial assets
On initial recognition, financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The assessment of the contractual cash flow characteristics is known as the SPPI ('solely payments of principal and interest "SPPI"') test and is conducted for each instrument. However, identical financial instruments may be analyzed in groups, since the outcome of the test would not be different than under an individual or separate assessment.

The Company's business model for managing financial assets refers to how the Company manages financial assets in order to generate cash flows. The business model determines whether the cash flows will result from the collection of contractual cash flows, sales proceeds, or both. Based on these characteristics, financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through other comprehensive income with reclassification of cumulative gains and losses (debt instruments);
- Financial assets at fair value through other comprehensive income without reclassification of cumulative gains or losses on disposal (equity instruments);
- Financial assets at fair value through profit or loss.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

After initial recognition, the Company measures financial assets at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

The Company measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include trade receivables, loans to subsidiaries, and guarantee deposits.

Financial assets at fair value through other comprehensive income (debt instruments)

The Company measures debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through other comprehensive income, gains and losses are recognized through other comprehensive income except for changes resulting from exchange differences and impairment losses, as well as reversals, which are recognized in the statement of profit or loss. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss; the amounts recognized through profit or loss are the same that would have been recognized if the financial assets had always been measured at amortized cost. The Company currently does not have this type of instruments.

Investments in equity instruments

Under IFRS 9, all equity instruments, including derivatives on these instruments, shall be measured at fair value through profit or loss on the assumption that they do not give rise to the contractual cash flows required to pass the SPPI test. However, upon initial recognition, the Company may irrevocably classify its equity investments as equity instruments at fair value through other comprehensive income when they meet the definition of equity instruments as per IAS 32 “Financial Instruments: Presentation” and are not held for trading. The classification is determined for each individual instrument. This category includes Investments in subsidiaries.

Investments

Investments in subsidiaries are measured at purchase cost, in compliance with the provisions of IAS 27.

Should there be indications that the cost is no longer recoverable in full or in part, the carrying amount is reduced to the relevant recoverable amount, in accordance with the provisions of IAS 36. When, subsequently, this loss is reversed or reduced, the carrying amount is increased to the new estimated recoverable amount, which cannot exceed the original cost.

Financial assets at fair value through profit or loss

In general, IFRS 9 defines the classification at fair value through profit or loss as a residual category to be applied to all those financial assets that, because of their contractual characteristics, are not measured at amortized cost or at fair value through other comprehensive income. However, the Company may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise from recognizing the gains and losses on the asset on different bases. Although this may be considered an accounting policy choice, the standard does not require applying it consistently to all similar transactions.

Financial instruments at fair value through profit or loss are carried in the statement of financial position at fair value, with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments. Derivatives, including separated embedded derivatives, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments.

A derivative embedded in a non-derivative hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss

Reclassification

A financial asset is reclassified only if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be expected or the Company changes its business model for managing financial assets. The reclassification shall be applied prospectively from the date of reclassification, without restating any previously recognized gains, losses, and interest.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired,
- the Company has transferred the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, whereby it retains the contractual rights to receive cash flows from the asset, but assumes a contractual obligation to pay the cash flows to one or more recipients, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When all the risks and rewards of ownership of the financial assets are substantially transferred, the Company derecognizes the financial asset and recognizes any rights and obligations created or retained as separate assets or liabilities; otherwise, the financial asset continues to be recognized. When it has neither transferred nor retained substantially all of the risks and rewards, nor lost control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement; when control over the financial assets is not retained, the Company derecognizes the financial asset and recognizes any rights and obligations created or retained as separate assets or liabilities. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. Specifically, the impairment model applies to all financial assets measured at amortized cost and at fair value through other comprehensive income, but not to financial assets at fair value through profit or loss. In addition, the following types of instruments also fall within the scope of the model:

- Loan Commitments not measured at FVTPL;
- Financial guarantees within the scope of IFRS 9;
- Lease receivables within the scope of IFRS 16;
- Contract Assets within the scope of IFRS 15.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The cash flows that the Company expects to receive depend on the probability of a default by the counterparty and the amount it expects to be able to recover; the expected cash flows will therefore include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Under the general approach of the Standard, the impairment of financial assets is determined based on the monitoring of the counterparties' credit standing. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. More specifically, for the above financial assets, the Company adopts the practical expedient of the provision matrix to calculate impairment, i.e. has established a matrix system based on historical collection information, adjusted for forward-looking factors specific to the debtors and the economic environment, as a means to determine expected credit losses.

Financial liabilities

Financial liabilities are classified and measured at amortized cost using the effective interest rate method, except for those financial liabilities that are classified at fair value through profit or loss because they do not meet the conditions for the measurement at amortized cost. This is the case of financial liabilities held for trading. In addition, the Company may, at initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so would result in more relevant information, as:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases;
- a group of financial assets or liabilities is managed and measured at fair value in accordance with a risk management policy or based on an investment strategy, and information about the group is provided internally on that basis to key management personnel.

Derivatives with negative fair values are also classified and measured at fair value through profit or loss, except for those held as effective hedging instruments. All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings as well as payables, directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

The measurement of financial liabilities depends on their classification as financial liabilities at fair value through profit or loss and loans & borrowings at amortized cost.

Financial liabilities at fair value through profit or loss: financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of settling or transferring them in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities are designated at fair value through profit or loss upon initial recognition, only if the criteria in IFRS 9 are satisfied. Upon initial recognition, the Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and borrowings): after initial recognition, loans are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance costs in the statement of profit or loss.
It is not possible to reclassify financial liabilities.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting
Initial recognition and subsequent measurement
The Company uses derivative financial instruments such as: foreign exchange forward contracts, to hedge financial risks relating to exchange rate fluctuations affecting commercial transactions in foreign currency. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into, and are subsequently measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. As allowed under IFRS 9 paragraph 7.2.21, the Company elected to apply IAS 39 for the purpose of hedge accounting.

In keeping with the provisions of IAS 39.88 and IFRS 9.6.4.1, hedging derivatives are eligible for hedge accounting only when:

- At the inception of the hedge, there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
- the hedge is likely to be highly effective;
- for cash flow hedges, the forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to the measurement of cash flows that could affect profit or loss;
- the effectiveness can be reliably measured; and
- the hedge itself is highly effective during the various accounting periods for which it is designated.

All derivatives are measured at fair value. When derivatives possess the necessary features to be accounted for in accordance with hedge accounting, the following accounting treatments are applied:

- Fair value hedge – if a derivative is designated as a hedge against changes in the current value of an asset or a liability as well as a firm commitment which may have an impact on the income statement, the change in the fair value of the hedging instrument is recorded in the income statement and the change in the fair value of the hedged instrument attributable to the risk covered is recorded as part of the book value of the item being hedged and is also recorded in the income statement. In the case of a firm commitment, the fair value of the component related to the hedged risk is recognized as an asset or liability, adjusting the line item in the statement of financial position that will be affected by the firm commitment upon its realization.
- Cash flow hedge – if a derivative is designated as a hedge against the changes in cash flows from an asset or liability or from a transaction which is considered as highly likely or a firm commitment and which could affect the income statement, the effective portion of the gains or losses on the derivative is recorded under shareholders' equity and accounted for in the statement of comprehensive income; the accumulated gain or loss is reversed from shareholders' equity and charged to the income statement in the same period in which the hedged transaction is recorded; the gain or loss associated with a hedge or that part of the hedge which has become ineffective, is recorded in the income statement when its ineffectiveness is recognized.

Should the conditions to apply hedge accounting not occur, the effects arising from the fair value assessment of the derivative are charged directly to the income statement.

Cash and cash equivalents

Cash and short-term deposits refer to cash on hand and sight/short-term deposits, in the latter case originally expiring in no more than three months.

Treasury shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale or cancellation of treasury shares. Any difference between the purchase value and the consideration, in the event of a sale and/or grant, is recognized in a reserve in equity.

Inventories

Inventories are measured at the lower of purchase and/or production cost, determined using the weighted average cost method, and the net realizable value. Purchase cost includes ancillary charges; production cost includes direct costs and a share of indirect costs which may be reasonably attributable to products. The presumed net realizable value is the normal estimated sale price less the estimated costs to complete the product and the estimated costs to complete the sale.

Provisions for risks and charges

Provisions for risks and charges are allocated when the Company must meet a current (legal or implicit) obligation resulting from a past event, whose occurrence is deemed as likely and whose amount can be reasonably estimated.

When the Company believes that an allocation to the provision for risks and charges will be partly or fully reimbursed, for example in the case of risks covered by insurance policies, the compensation is recorded separately among assets if, and only if, it is almost certain. In this case, in the income statement the cost of any allocation is shown net of the amount recorded for the compensation.

If there is a significant effect from discounting the value of money, the allocations are discounted using a pre-tax discount rate which reflects, where appropriate, the specific risks of the liabilities. When the discounting is carried out, the increase in the allocation due to the passing of time is recorded as a financial charge.

Employee benefit liabilities

The Company's net obligation deriving from defined-benefit plans is calculated separately for each plan by estimating the amount of the future benefit which employees have accrued in return for the service provided in the current and previous years; this benefit is discounted in order to calculate the current value. Actuarial gains and losses are recorded directly in the statement of comprehensive income, as provided for by IAS 19.

Effective 1 January 2007, the 2007 Budget Law and the relevant enabling legislation have introduced significant changes to employee severance indemnities, requiring to allocate them to either supplementary pension schemes or the Treasury Fund of the Italian Social Security Institute (INPS). Starting from said date, in accordance with IAS 19, severance indemnities are classified as "Defined-contribution plans", while the amounts paid into the provision for employee severance indemnities up to 31 December 2006 still qualify as "Defined-benefit plans".

The actuarial assessment of liabilities has been entrusted to an independent actuary.

Fair Value

IFRS 13 establishes a single source of guidance for fair value measurement and for the relevant disclosures when such measurement is required or permitted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets or liabilities whose fair value is measured or recognized are categorized based on the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – valuation techniques using unobservable inputs for the asset or liability.

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The methods for determining fair value in reference to financial instruments, for accounting or disclosure purposes, are summarized below in reference to the main financial instrument categories, to which they have been applied:

- Derivatives: adequate pricing models have been adopted, based on the market values of interest and exchange rates;
- Receivables and payables and unlisted financial assets: for financial instruments expiring after more than one year, the discounted cash flow method has been applied, i.e. the discounting of expected cash flows given current interest rate and creditworthiness conditions;
- Listed financial instruments: the market value at the reference date is used.

Costs

Costs are recognized when related to goods or services sold or consumed during the period or systematically allocated, or when it is not possible to identify their future usefulness.

Advertising and research costs, in accordance with IAS 38, are charged in full to the income statement, when the service has been provided and delivered to the Company.

Costs are recognized according to their nature considering the standards applicable under IFRS.

Revenues from contracts with customers

Revenues from contracts with customers are recognized when control of goods or services transfers to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Sale of goods

Revenues from the sale of goods are recognized when control of the good passes to the customer, generally upon shipment depending on the terms applied.

The Company considers whether the contract includes other promises representing performance obligations to which part of the consideration for the transaction must be allocated (for example guarantees). When determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Right of return

Some contracts allow customers to return goods within a specified period of time. The Company uses the expected value method to estimate the goods that will not be returned, as this method better predicts the amount of variable consideration to which the Company will be entitled. The guidance in IFRS 15 regarding the constraints on the recognition of variable consideration applies to the determination of the amount of variable consideration that can be included in the transaction price. The Company adjusts revenues for the goods expected to be returned, and recognizes a liability for the refunds. The right of return of an asset (and the corresponding adjustment to the changes in inventories of finished products) is recognized also for the right to recover goods from customers.

Royalties

Revenues from royalties derive from sales-based royalties arrangements with customers, and are therefore recognized based on the stage of completion of the licensee's sales in accordance with the terms of the agreement.

Right of return assets

A right of return asset represents the Company's right to recover goods expected to be returned from customers. The asset is measured at the previous carrying amount of inventories less any costs for its recovery, including any impairment of the returned products. The Company regularly updates the estimated amount of returns from customers as well as any additional impairment of the returned products.

Refund liabilities
The refund liability represents the obligations to refund some or all of the consideration received (or to be received) from the customer and is measured based on the amount the Company expects to be refunded to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payment plans
The Company recognizes additional benefits to some employees, directors and collaborators with particular positions, through equity-settled share-based payments, which provide for the physical delivery of shares. In accordance with the provisions of IFRS 2 – Share-based payments – rights in favor of employees are valued at fair value when the beneficiary is informed of their allocation, and this value is determined using the binomial model. This model takes account of all the features of the rights (duration, exercise price and conditions, etc.), as well as the value of the underlying shares at the grant date and their expected volatility.

If the right can be exercised after a certain period (vesting period) and on the occurrence of specific performance conditions, the cost of transactions settled with equity instruments, together with the corresponding increase in shareholders' equity, is recorded in the period in which the conditions relating to the achievement of objectives and/or the provision of the service are satisfied, ending at the time the beneficiaries have fully accrued the right to receive payment ("vesting date").

At the end of each year, the fair value of the rights which has been determined previously is not reviewed, but on this date the estimate of the number of rights which will vest up to the expiry is updated. The accumulated costs recorded for these transactions at the end of each year up to the vesting date are proportionate to the expiries of the vesting period and to the best available estimate of the number of options which will actually vest. The cost or revenue recorded in the income statement for the year represents the change in the accumulated cost recorded at the start and at the end of the year.

No cost is recorded for rights which do not ultimately vest, except in the case of rights whose allocation is subordinate to market conditions. The impact of the dilution of the rights not yet exercised is reflected in the calculation of the dilution of earnings per share.

Cash-settled transactions
In case of cash-settled share-based transactions, the cost of the cash-settled transactions is initially valued at the fair value at the date the beneficiary is informed of their allocation. This fair value is recognized in the income statement in the period until vesting, with the recognition of a corresponding liability. Until the liability is settled, the fair value is recalculated at each year-end date and at the settlement date, charging the related changes to the income statement.

Financial income and charges
Financial income and charges are recorded on an accrual basis according to the interest accrued on the net value of the related financial assets and liabilities, using the effective interest rate.

Dividends
Dividends are recognized when the shareholders' right to receive payment arises.

Income Taxes
Current taxes
Current income taxes are determined in relation to taxable income and in compliance with the rates and provisions in force; payables for current taxes are recognized in the statement of financial position, net of any tax advances paid. The Company regularly assesses the position taken in its income tax filings where tax regulations are subject to interpretation and makes provisions, when appropriate.

Current taxes relating to items recorded directly under shareholders' equity or in the statement of comprehensive income are also charged directly to shareholders' equity or to the statement of comprehensive income.

Deferred taxes

Deferred taxes are calculated on the temporary differences existing at the reporting date between the fiscal values taken as a reference for assets and liabilities and the values recognized in the financial statements.

Deferred tax liabilities are recorded for all taxable temporary differences, except:

- when the deferred tax liabilities derive from the initial recognition of goodwill or of an asset or a liability in a transaction which is not a business combination and which, at the time of the transaction, has no effect on the profit/(loss) for the year calculated for financial statement purposes or on the profit or loss calculated for tax purposes;
- in reference to taxable temporary differences relating to investments in subsidiaries, associated companies and joint ventures, when the reversal of temporary differences may be managed and it is not likely to occur in the foreseeable future.

Deferred tax assets are recorded against all deductible temporary differences and for tax assets and liabilities which are carried forward, to the extent that adequate future tax profits are likely to exist which make it possible to use the deductible temporary differences and the tax assets and liabilities which have been carried forward, except when:

- the deferred tax asset connected to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not affect profit/(loss) for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;
- in reference to taxable temporary differences relating to investments in subsidiaries, associated companies and joint ventures, deferred tax assets are only recorded to the extent that the deductible temporary differences are likely to be reversed in the immediate future and there are adequate tax profits against which the temporary differences may be used.

The value to be recorded for deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer likely that sufficient tax profits will be available in the future so as to allow all or part of this credit to be used. Unrecognized deferred tax assets are reviewed annually at the reporting date and are recorded to the extent that it has become likely that the tax profit is sufficient to ensure that these deferred tax assets can be recovered.

To determine whether taxable profit will be available against which a deductible temporary difference can be utilized, the entity shall consider whether local tax laws restrict the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference.

Deferred tax assets and liabilities are measured on the basis of the tax rates which are expected to be applied in the year in which the assets are realized or the liabilities are settled, taking into account the rates in force and those already issued or basically issued at the reporting date.

Current and deferred taxes relating to items recorded directly under shareholders' equity or in the statement of comprehensive income are also charged directly to shareholders' equity or to the statement of comprehensive income.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets against current tax liabilities and the deferred taxes refer to the same fiscal entity and the same tax authority.

Value added tax

Revenues, costs and assets are recorded net of value added taxes except when:

- this tax, applied to the purchase of goods or services, is non-deductible, in which case it is recognized as part of the purchase cost of the asset or part of the cost item charged to the income statement;
- it refers to trade receivables and payables for which the invoice has already been issued or received and which are shown including the tax amount.

The net amount of indirect taxes on sales and purchases which may be recovered from or paid to the Inland Revenue Office is recorded among tax receivables or payables depending on the nature of the balance.

Put and call agreements on minority interests

Put and call agreements are financial instruments in compliance with the provisions of IFRS 9.

The fair value of the financial instruments traded on an active market is determined at each reporting date with reference to market prices or operators' prices (ask price for long-term positions and bid price for short-term positions), without any deduction for transaction costs.

For financial instruments which are not traded on an active market, the fair value is determined using a valuation technique. This technique may include: the use of recent transactions at market conditions; reference to the current fair value of another instrument which is substantially the same; an analysis of discounted cash flows or other valuation models.

The accounting policy chosen by the Company envisages the recognition in the income statement and the recognition under financial liabilities of the fair value at the valuation date.

Changes in international accounting standards

The Company has not adopted in advance any standard, interpretation or improvement that has been issued but which is not yet in force, except for the amendment to IFRS16 Leases Covid-19 Related Rent Concessions beyond 30 June 2021.

Amendment to IFRS16 Leases – Covid-19 Related Rent Concessions

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

Said amendment introduces an additional practical expedient to simplify lessee accounting for rent concessions (i.e. lease payment reductions, holidays and/or deferrals granted to a lessee by a lessor) received in the wake of the Covid-19 pandemic and that extend beyond 30 June 2021. If specified conditions are met, the practical expedient allows recognizing a "positive variable lease payment" through profit or loss as operating income deducted directly from the lease liability.

The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- following the rent concession, the revised consideration for the lease is substantially the same as, or less than, the original consideration for the lease;
- the rent concession refers exclusively to payments originally due on or before 30 June 2022;
- there is no substantive change to other terms and conditions of the lease.

If the above conditions are not met, rent concessions shall be recognized according to the general principle concerning lease modifications under IFRS 16.

Adopting the amendment early caused the Company to recognize rent concessions related to the Covid-19 emergency amounting to a positive 482 thousand Euro in 2021, accounted for largely as a deduction from costs for services, and specifically Costs for the use of third-party assets.

The Company adopted such practical expedient, endorsed by the European Union in August 2021, early to represent the concessions granted by lessors as a result of the Covid-19 pandemic in line with expected industry practices and what was already done in 2020 based on the first amendment to IFRS16 regarding rent concessions. Not adopting said practical expedient would have given rise to significant accounting costs (the same costs that led the IASB to issue the amendment) and made it impossible to adopt it also for the Separate Financial Statements as at 31 December 2021. These considerations were decisive in electing to adopt the amendment early, given also the number of leases being renegotiated across the different geographies and jurisdictions in which the Company and the Group operate.

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

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

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

The amendments are effective for annual periods beginning on or after 1 January 2021. The Company will monitor the evolution of the changes being made to the reform. These amendments did not have any impact on the Company's Separate Financial Statements. The future risks the Company is exposed to, arising from financial instruments subject to interest rate benchmark reform, are not currently considered material.

Standards issued but not yet in force

Set out below are the standards which, when preparing the separate financial statements had already been issued but were not yet in force. The list refers to the standards and interpretations which the Company expects will in all likelihood be applicable in the future. The Company intends to adopt these standards when they come into force.

Amendment to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right;
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments will be effective for annual periods beginning on or after 1 January 2023, and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on the current situation.

Amendment to IFRS 3 - Reference to the Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace the references to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with references to the Conceptual Framework for Financial Reporting, that was issued in March 2018, without significantly changing the requirements of the standard. The Board also added an exception to the recognition principles of IFRS 3 to avoid the risk of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify that the existing guidance in IFRS 3 for contingent assets would not be affected by replacing the references to the Framework for the Preparation and Presentation of Financial Statements. The amendments will be effective for annual periods beginning on or after 1 January 2022 and apply prospectively.

Amendment to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment will be effective for annual periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The Company does not anticipate material impacts with respect to these amendments.

Amendment to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments will be effective for annual periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet met all its obligations at the beginning of the period in which it will first apply these amendments.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of the 2018-2020 annual improvements to IFRS standards, the IASB issued an amendment to IFRS 9. This amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies this amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, and earlier application is permitted. The Company will apply this amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. With respect to this amendment, the Company does not anticipate material impacts.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. In addition, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted, provided that fact is disclosed. The amendments are not expected to have a material impact on the Company's Financial Statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgments, in which it provides guidance and examples to help entities apply materiality judgments to the disclosure of accounting policies. The amendments are intended to help entities provide more useful accounting policy disclosures by replacing the requirements for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies; in addition, they added guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, and earlier application is permitted. As the amendments to the PS 2 set out non-mandatory guidance on the application of the definition of material to accounting policy disclosures, an effective date for these amendments is not required. The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption for deferred tax, so as to exclude transactions that give rise to equal amounts of taxable and deductible temporary differences, as in the case of leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after 1 January 2023. The deferred tax assets and liabilities related to leases and decommissioning obligations shall therefore be recognized at the beginning of the earliest comparative period presented, recognizing the relevant cumulative effect as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest comparative period presented. The Company is currently assessing the impact of the amendments on its financial position.

3. Management of financial risks (IFRS 7)

Salvatore Ferragamo S.p.A. monitors, also on a Group basis, the exposure in different measure to the various financial risks related to its business, in particular to the market risk category which includes the following types of risk:

- interest rate risks relating to the impact of changes in market interest rates;
- exchange rate risks, due to operations in currency areas other than that of the accounting currency;
- liquidity risks relating to the availability of financial resources and the ease of access to the credit market and connected to the need to fulfill the Group's financial commitments in the short term;
- credit, commercial or counterparty risks, representing the risks of default on commercial or financial obligations assumed by the various counterparties and arising from normal commercial transactions or from use, financing and risk hedging activities.

Financial risks are managed on the basis of guidelines defined by the Company, in compliance with the goals set centrally by the Board of Directors. This enables the supervision and coordination of the operations of the individual Group companies, also through more effective financial planning and control, the systematic monitoring of the levels of exposure to financial risks as well as the trend in cash management, and the provision of useful indications in order to optimize the management of dealings with the reference credit institutions.

In accordance with these directives, control over the management of individual financial risks is ensured through intervention aimed at containing their impact, also by using derivatives. Derivatives are used for hedging purposes only. In accordance with IFRS, some derivatives have been classified as held for trading, although they have been entered into solely for hedging purposes.
Financial liabilities largely consist of trade payables, payables to banks (if any), other financial payables, and lease liabilities following the introduction of the accounting standard IFRS16. The management of these liabilities is largely aimed at financing the Group's operations.

Interest rate risk

Movements in market interest rates affect the level of net financial charges and the market value of financial assets and liabilities.
Interest rate risk can be classified as follows:

- flow risk, which refers to the variability in interest income and expense received and paid following changes in market interest rates;
- price risk, relating to the sensitivity of the assets and liabilities market value to changes in the level of interest rates (it refers to fixed rate assets or liabilities).

Salvatore Ferragamo S.p.A. is mainly exposed to flow risk, i.e. to the risk of recording in the income statement an increase in financial charges due to an unfavorable change in interest rates. The Company uses third-party financial resources largely in the form of floating rate bank debt and deploys the available liquidity mainly in money market instruments. Changes in market interest rates only affect the cost of loans and the yield on uses and thus the level of the Company's financial charges and income, and not their fair value.

Bank debt is represented by both short-term and medium/long-term, floating-rate loans. The cost of bank debt is benchmarked to the market rate (generally *euribor/Libor* for the period or the benchmark of the loan currency on the specific interbank market) in the period increased by a spread which depends on the type of line of credit used. Drawdowns range from one day to a maximum of less than five years (term loan); the interest period and the market rate used (euribor/libor) does not exceed six months, including for drawdowns beyond the year. The margins applied are in line with best market standards.

Cash surpluses are held in current accounts or time deposits with reference banks, which bear interest at the Euribor/Libor rate or the benchmark of the currency on the specific interbank market, or invested in intercompany loans, regulated at current market conditions, in order to in order to limit the Group's exposure to the banking system, counterparty risk, and the impact of financial charges.

Sensitivity to interest rate risk is monitored by keeping the overall exposure in due consideration, through coordinated management of debt and available liquidity and of the relevant due dates.

At the reporting date there were no outstanding interest rate risk hedge derivatives aimed at transforming floating rate debt into fixed rate debt, nor did the Company make use of such derivatives in the previous year.

The Company carried out the sensitivity analysis of the interest rate risk to which it is exposed by considering the financial statement items which give rise to floating rate interests and by assuming parallel increases or decreases in the benchmark interest rate curves by individual currency in proportion to the respective annual volatility observed on the market. The result of the analysis carried out for 2021 and 2020, considering the amounts of sensitive assets and liabilities, interest rate trends, and the relevant market volatility, which reached negative levels or levels close to zero, showed no contingent gains or losses through profit or loss.

The possible upward or downward change in the market's benchmark interest rates has an immaterial impact on the Company's income statement.

Exchange rate risk

The exposure to exchange rate risk derives from operations in currencies other than the accounting currency, i.e. the Euro.

In particular, the exchange rate risk can be classified based on the nature of the exposure and of the effects on operating results due to the different relevance of costs and revenues in foreign currency compared to the moment when the price conditions were defined (economic risk) and due to the translation of trade or financial receivables and payables denominated in foreign currency (settlement risk).
The Company operates internationally and therefore is exposed to risks arising from exchange rates fluctuations, which have an impact on the operating results and on the value of shareholders' equity.

The objective of the exchange rate risk hedging policy is to minimize the economic and settlement exchange rate risks, i.e. the risks arising from the possibility that currency parity changes unfavorably during the period between the moment in which a commitment to pay or a right to collect a currency other than the Euro is expected for a future date (definition of budgets, setting of price lists, arrangement of orders), the registration of the accounting document (invoicing) and the moment in which the receipt or payment effectively occurs, generating an effect in terms of translation differences, with an impact on the income statement.

In keeping with the exchange rate risk management policy adopted in recent years, the Company manages exchange rate risk arising from its business, in line with the provisions of the exchange rate risk management policy and the risk management objectives that are periodically established, through the systematic hedging of commercial flows arising from sales forecast in currencies other than the Euro, to both subsidiaries and third parties, with the aim of mitigating the expected risk of variability in margins arising from sales relating to future collections.
The Group has a strong presence in international markets, including through commercial companies located in countries which use currencies other than the Euro, mainly the US dollar and Chinese renminbi. In the year ended 31 December 2021, around 35% of the Company's net revenues were denominated in US dollars, around 14% in Chinese renminbi, around 6% in South Korean won, around 5% in Japanese yen, and around 4% in Mexican peso. In the year ended 31 December 2020, around 32% of the Company's net revenues were denominated in US dollars, around 13% in Chinese renminbi, around 8% in Japanese yen, around 7% in South Korean won, and around 4% in Mexican peso. The currency risks originate mainly from exports of the Company in US dollars, Chinese renminbi, Japanese yen, South Korean won, and Mexican peso.

In relation to its business model, the Group incurs a significant part of its costs in Euro (costs relating to production and management of the corporate structure borne by Salvatore Ferragamo S.p.A.), while the revenues and costs recorded by Group companies are mainly expressed in the local currencies of the respective reference markets. Exchange rate risk management is mostly focused on the Company through the direct invoicing in the accounting currency of the subsidiary in order to hedge the exposure deriving from sales in currencies other than the Euro by entering into derivatives. In particular, the Company is exposed to changes in the exchange rate between the Euro and the US dollar, in relation both to sales in Dollars on the North American market and on some markets, mainly in Asia. In this context, the Company is exposed to changes in the exchange rates of the currencies in which sales are denominated. This implies the risk that the corresponding value in Euro of revenues determined at the moment of collection is insufficient to cover production costs or to achieve the desired profit margin. This risk is heightened during the significant period between the moment when the sale prices of a collection are set and the moment when revenues are converted into Euro, which extends up to 18 months.

The Company (as a manufacturing company) enters into currency forward exchange contracts or options, to establish the conversion rate in advance, or a predefined range of conversion rates at future dates with an estimated period of maximum 24 months. In the years under examination, the Company covered its exchange rate risk almost exclusively with currency forward exchange contracts.

To this end, on the basis of market expectations and conditions, before establishing price lists, and in any case not after the beginning of the sales campaign, hedging is arranged for an amount generally between 50% and 90% of forecast sales in foreign currency. This proportion is calculated based on the expected overall exposure, rather than the individual foreign currency. In the period following the preparation of the price list, the total outstanding hedge is added for the orders effectively managed and put into production. This way, the Company limits the commercial risk just to the risk arising from sales volumes, excluding the risk arising from the exchange rate.

In addition, the Company checks the exposure and the related exchange rate risk management procedures of some Asian and Latin American subsidiaries which make purchases of goods in US dollars or in Euro and sell in the currency of the country in which they operate. The values of the contracts involved are, nonetheless, significantly lower than those concluded directly by the Company to mitigate the exchange rate risk arising from sales in the accounting currency of the various subsidiaries.

In addition, the Company controls and hedges exposure deriving from changes due to exchange rate changes in the value of assets or liabilities denominated in currencies other than the accounting currency of the individual company, which may affect the income statement (typically intercompany financial receivables/payables) by offsetting financial receivables and payables denominated in the same currency or through financial instruments, whose recognition in accordance with IFRS follows the rules of fair value hedge: the profit or loss arising from subsequent assessments of the present value of the hedging instrument is recorded in the income statement as well as the profit or loss on the hedged item.

The hedges of the Company's future transactions in foreign currencies (which can be classified as cash flow hedge pursuant to IFRS) are accounted for in accordance with hedge accounting rules.

The following table shows the changes in the Cash Flow Hedge reserve for the years ended 31 December 2021 and 31 December 2020:

Exchange rate risk

(In thousands of Euro)	2021	2020
Opening balance	**6,740**	**1,147**
+ increases for recognition of new positive effectiveness	1,718	18,852
- decreases for recognition of new negative effectiveness	(17,216)	(5,099)
- decreases for reversal of positive effectiveness from shareholders' equity and recognition of income in profit or loss	(6,847)	(12,397)
+ increases for reversal of negative effectiveness from shareholders' equity and recognition of cost in profit or loss	7,179	4,237
Closing balance	**(8,426)**	**6,740**

The "Reserve", which consists of the value changes in hedges for expected transactions in foreign currency, declined by 15,166 thousand Euro overall during 2021, whereas it had increased by 5,593 thousand Euro in 2020. The changes in value reflect the Euro's performance against the main hedged currencies, and specifically the Euro's exchange rate with the US Dollar and the Renminbi, as the single currency depreciated sharply during the year. The amount transferred from the Reserve to "Revenues from sales" on occurrence of the underlying flows was a negative total of 332 thousand Euro in 2021, compared to a positive 8,539 thousand Euro in 2020. In 2021, no hedge was interrupted and hedges were one hundred percent effective for the whole duration of the underlying asset.

A hedge may become ineffective as a result of:
- differences in the timing of cash flows of the hedged item and the hedging instrument;
- changes in the expected amount of cash flows of the hedged item and the hedging instrument.

The following table sets out the average time horizon and the relevance by risk factor of exchange rate hedges which the Company held at the end of 2021 and 2020. The number of foreign currencies in the table shows how exchange rate risk management is all but centralized at the Parent company.

Cash flow analysis (hedged items)

31 December 2021

Foreign exchange forward contracts (In thousands)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total expected flows
Notional amount in USD	21,000	50,000	66,000	60,500	48,000	**245,500**
Average forward exchange rate (EUR/USD)	1.207	1.192	1.182	1.181	1.169	
Notional amount in AUD	-	-	-	-	-	**-**
Average forward exchange rate (EUR/AUD)	-	-	-	-	-	
Notional amount in CAD	-	-	-	-	-	**-**
Average forward exchange rate (EUR/CAD)	-	-	-	-	-	
Notional amount in CHF	-	-	-	-	-	**-**
Average forward exchange rate (EUR/CHF)	-	-	-	-	-	
Notional amount in CNY	75,000	90,000	120,000	140,000	30,000	**455,000**
Average forward exchange rate (EUR/CNY)	7.982	8.010	7.885	7.886	7.501	
Notional amount in GBP	-	-	-	-	-	**-**
Average forward exchange rate (EUR/GBP)	-	-	-	-	-	
Notional amount in HKD	16,000	15,000	15,500	24,000	4,000	**74,500**
Average forward exchange rate (EUR/HKD)	9.366	9.368	9.275	9.160	8.937	
Notional amount in JPY	200,000	1,350,000	1,300,000	750,000	600,000	**4,200,000**
Average forward exchange rate (EUR/JPY)	128.126	129.817	129.660	128.731	131.720	
Notional amount in KRW	5,500,000	10,500,000	10,000,000	12,000,000	4,000,000	**42,000,000**
Average forward exchange rate (EUR/KRW)	1,368.800	1,358.918	1,359.918	1,387.931	1,370.634	
Notional amount in MXN	-	90,000	190,000	110,000	20,000	**410,000**
Average forward exchange rate (EUR/MXN)	-	25.938	25.243	25.485	25.120	
Notional amount in SGD	-	-	-	-	-	**-**
Average forward exchange rate (EUR/SGD)	-	-	-	-	-	

31 December 2020

Foreign exchange forward contracts (In thousands)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total expected flows
Foreign exchange forward contracts	19,000	41,000	34,000	28,000	-	**122,000**
Notional amount in USD	1.121	1.120	1.121	1.180	-	
Average forward exchange rate (EUR/USD)	-	-	-	-	-	**-**
Notional amount in AUD	-	-	-	-	-	
Average forward exchange rate (EUR/AUD)	1,000	2,500	-	-	-	**3,500**
Notional amount in CAD	1.517	1.540	-	-	-	
Average forward exchange rate (EUR/CAD)	-	-	-	-	-	**-**
Notional amount in CHF	-	-	-	-	-	
Average forward exchange rate (EUR/CHF)	65,000	80,000	128,000	135,000	25,000	**433,000**
Notional amount in CNY	7.977	7.982	8.155	8.123	8.040	
Average forward exchange rate (EUR/CNY)	500	500	600	-	-	**1,600**
Notional amount in GBP	0.909	0.910	0.911	-	-	
Average forward exchange rate (EUR/GBP)	-	10,000	25,000	-	-	**35,000**
Notional amount in HKD	-	9.025	8.901	-	-	
Average forward exchange rate (EUR/HKD)	300,000	1,300,000	600,000	1,350,000	-	**3,550,000**
Notional amount in JPY	120.383	120.393	123.362	124.293	-	
Average forward exchange rate (EUR/JPY)	4,000,000	6,500,000	12,000,000	16,000,000	2,500,000	**41,000,000**
Notional amount in KRW	1,334.900	1,336.022	1,380.062	1,365.784	1,328.000	
Average forward exchange rate (EUR/KRW)	70,000	230,000	150,000	50,000	-	**500,000**
Notional amount in MXN	25.930	24.594	26.152	25.140	-	
Average forward exchange rate (EUR/MXN)	-	-	-	-	-	**-**
Notional amount in SGD	-	-	-	-	-	
Average forward exchange rate (EUR/SGD)						

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

31 December 2021

Exchange rate risk (In thousands)	**Total expected flows**	**within 3 months**	**3 to 6 months**	**6 to 9 months**	**9 months to 1 year**	**over 1 year**
Sales expected in USD	**188,500**	64,500	70,000	48,000	6,000	**-**
Sales expected in JPY	**4,000,000**	1,950,000	1,000,000	850,000	200,000	**-**
Sales expected in GBP	**-**	-	-	-	-	**-**
Sales expected in MXN	**320,000**	190,000	110,000	20,000	-	**-**
Sales expected in CHF	**-**	-	-	-	-	**-**
Sales expected in AUD	**-**	-	-	-	-	**-**
Sales expected in CAD	**-**	-	-	-	-	**-**
Sales expected in CNY	**330,000**	130,000	130,000	70,000	-	**-**
Sales expected in HKD	**51,500**	19,500	17,000	15,000	-	**-**
Sales expected in SGD	**-**	-	-	-	-	**-**
Sales expected in KRW	**31,500,000**	11,500,000	12,000,000	8,000,000	-	**-**

31 December 2020

Exchange rate risk (In thousands)	**Total expected flows**	**within 3 months**	**3 to 6 months**	**6 to 9 months**	**9 months to 1 year**	**over 1 year**
Sales expected in USD	**79,000**	49,000	28,000	2,000	-	**-**
Sales expected in JPY	**3,250,000**	1,300,000	1,300,000	650,000	-	**-**
Sales expected in GBP	**1,100**	500	600	-	-	**-**
Sales expected in MXN	**375,000**	175,000	150,000	50,000	-	**-**
Sales expected in CHF	**-**	-	-	-	-	**-**
Sales expected in AUD	**-**	-	-	-	-	**-**
Sales expected in CAD	**1,500**	1,500	-	-	-	**-**
Sales expected in CNY	**288,000**	80,000	148,000	60,000	-	**-**
Sales expected in HKD	**25,000**	25,000	-	-	-	**-**
Sales expected in SGD	**-**	-	-	-	-	**-**
Sales expected in KRW	**30,500,000**	8,000,000	14,000,000	8,500,000	-	**-**

The most important hedge, in terms of volumes of notional amounts in foreign currency being hedged, is aimed at mitigating the risk generated by fluctuations in the exchange rate between the Euro and the following currencies: US dollar, Chinese renminbi, Japanese yen, South Korean won, and Mexican peso.

From a time viewpoint, hedges lasting over one year show nil values as at 31 December 2021 as well as 31 December 2020. 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 2021 and 2020.

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

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Expected highly probable sales

	Notional amount	Cash flow hedge reserve / change in fair value used to measure ineffectiveness	Carrying amount	
(In thousands of Euro)			Line item "other current assets"	Line item "other current liabilities"
31 December 2021	286,031	(8,426)	299	(10,521)
31 December 2020	168,971	6,740	5,502	(1,230)

Sensitivity Analysis

The sensitivity analysis carried out in order to assess the Company's exposure to exchange rate risk was undertaken on the basis of percentage increases and decreases in the exchange rates of the various currencies, proportional to their annual volatility, applied to all significant financial assets and liabilities expressed in original currencies. In particular, the analysis involved all currencies and the following items:

- exchange rate derivatives;
- trade and other receivables;
- trade and other payables;
- cash and cash equivalents;
- short- and long-term financial liabilities;
- short and long-term lease liabilities.

In addition, the table shows the most important effects and the related currencies and refers to the exposure to exchange rate risk in accordance with *IFRS* requirements. Exchange rates were considered for currencies whose changes generate an impact on the Income Statement and Shareholders' Equity, in absolute terms, of over one million Euro.

Sensitivity analysis: exchange rate risk

31 December 2021

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
POSITIVE CHANGE	EUR/JPY	7.0%	Derivatives	3,373	2,014
			Non-derivatives	(3,628)	
	EUR/USD	5.6%	Derivatives	2,669	8,826
			Non-derivatives	(3,387)	
	EUR/KRW	7.6%	Derivatives	605	1,653
			Non-derivatives	(655)	
	EUR/CNY	4.3%	Derivatives	712	1,880
			Non-derivatives	(743)	
	EUR/MXN	11.2%	Derivatives	1,001	1,393
			Non-derivatives	(1,387)	
	EUR/SGD	4.4%	Derivatives	1,364	-
			Non-derivatives	(1,411)	
	EUR/THB	8.0%	Derivatives	572	-
			Non-derivatives	(594)	
	EUR/CAD	6.4%	Derivatives	84	-
			Non-derivatives	(195)	
Total				**(1,619)**	**15,766**

31 December 2021

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
NEGATIVE CHANGE	EUR/JPY	(7.0%)	Derivatives	(3,883)	(2,318)
			Non-derivatives	4,177	
	EUR/USD	(5.6%)	Derivatives	(2,986)	(9,874)
			Non-derivatives	3,788	
	EUR/KRW	(7.6%)	Derivatives	(704)	(1,924)
			Non-derivatives	763	
	EUR/CNY	(4.3%)	Derivatives	(776)	(2,048)
			Non-derivatives	809	
	EUR/MXN	(11.2%)	Derivatives	(1,253)	(1,744)
			Non-derivatives	1,737	
	EUR/SGD	(4.4%)	Derivatives	(1,488)	-
			Non-derivatives	1,540	
	EUR/THB	(8.0%)	Derivatives	(672)	-
			Non-derivatives	696	
	EUR/CAD	(6.4%)	Derivatives	(95)	-
			Non-derivatives	222	
Total				**1,875**	**(17,908)**

31 December 2020

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
POSITIVE CHANGE	EUR/JPY	7.1%	Derivatives	2,773	1,701
			Non-derivatives	(3,015)	
	EUR/USD	6.4%	Derivatives	5,352	3,844
			Non-derivatives	(4,624)	
	EUR/KRW	9.2%	Derivatives	409	1,918
			Non-derivatives	(677)	
	EUR/CNY	5.1%	Derivatives	869	1,726
			Non-derivatives	(925)	
	EUR/MXN	13.0%	Derivatives	1,861	1,767
			Non-derivatives	(2,250)	
	EUR/SGD	5.2%	Derivatives	1,274	-
			Non-derivatives	(1,362)	
	EUR/THB	8.1%	Derivatives	554	-
			Non-derivatives	(599)	
	EUR/CAD	6.1%	Derivatives	441	55
			Non-derivatives	(448)	
Total				**(366)**	**11,010**

31 December 2020

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
NEGATIVE CHANGE	EUR/JPY	(7.1%)	Derivatives	(3,196)	(1,960)
			Non-derivatives	3,475	
	EUR/USD	(6.4%)	Derivatives	(6,078)	(4,365)
			Non-derivatives	5,251	
	EUR/KRW	(9.2%)	Derivatives	(491)	(2,305)
			Non-derivatives	814	
	EUR/CNY	(5.1%)	Derivatives	(961)	(1,909)
			Non-derivatives	1,023	
	EUR/MXN	(13.0%)	Derivatives	(2,417)	(2,295)
			Non-derivatives	2,922	
	EUR/SGD	(5.2%)	Derivatives	(1,413)	-
			Non-derivatives	1,511	
	EUR/THB	(8.1%)	Derivatives	(651)	-
			Non-derivatives	704	
	EUR/CAD	(6.1%)	Derivatives	(499)	(62)
			Non-derivatives	506	
Total				**498**	**(12,897)**

As the table above shows, a positive change in the exchange rates (*EUR/JPY, EUR/USD, EUR/KRW, EUR/CNY, EUR/MXN, EUR/SGD, EUR/THB, and EUR/CAD*) would have resulted in a 1,619 thousand Euro and 366 thousand Euro loss as at 31 December 2021 and 31 December 2020, respectively; similarly, a negative change in the exchange rates would have generated a 1,875 thousand Euro and a 498 thousand Euro profit as at 31 December 2021 and 31 December 2020, respectively. The increase in shareholders' equity caused by derivative instruments designated as hedges as a result of the assumed positive exchange rate changes would have amounted to 15,766 thousand Euro and 11,010 thousand Euro as at 31 December 2021 and 31 December 2020, respectively; the decrease in shareholders' equity as a result of the assumed negative exchange rate changes would have totaled 17,908 thousand Euro and 12,897 thousand Euro as at 31 December 2021 and 31 December 2020, respectively. The sensitivity analysis carried out as described above, which is significantly affected by market volatility in the exchange rates considered, points to a material impact on the Company shareholders' equity from the potential change in the value of hedging derivatives. This is temporarily allocated to the "Cash flow hedge reserve" and will be recognized through profit or loss in the following years when the expected sales occur. The higher or lower impact on the income statement and on the statement of financial position in each of the years under consideration derives largely from the trend in the individual currencies at the reference dates and the change in the value of financial assets and liabilities exposed to fluctuations in exchange rates.

Liquidity risk

Liquidity risk represents the risk that the Company cannot meet its financial obligations due to problems in obtaining funds at current market price conditions (funding liquidity risk) or in liquidating assets on the market to find the necessary financial resources (asset liquidity risk).

The first consequence is a negative impact on the income statement, should the Company be forced to incur additional costs to meet its commitments.

The factors which mainly influence the Company's liquidity are the resources generated or absorbed by current operating and investing activities, the possible distribution of dividends and the expiry and possibility of renewal of debt or the expiry and possibility of liquidation of financial investments of surplus cash.

Liquidity needs or surpluses are monitored on a daily basis by the Company's Treasury Department in order to guarantee effective sourcing of financial resources or adequate investment of liquidity.

The negotiation and management of credit lines is coordinated by the Company at Group level with the aim of satisfying the short and medium/long-term needs of the individual companies according to efficiency and cost-effectiveness criteria.

As at 31 December 2021, there were outstanding uncommitted short-term credit lines with a number of banks made available to the Company to meet financing needs connected to the management of working capital for a total of 155,000 thousand Euro as well as committed short and medium/long-term credit lines negotiated on a bilateral basis by the Company for a total of 419,063 thousand Euro, including 345,000 thousand Euro in revolving lines and 74,063 thousand Euro in term loans.

As at 31 December 2021, Salvatore Ferragamo S.p.A. had drawn down 35,000 of the uncommitted credit lines and 74,063 thousand Euro of the committed credit lines. As at 31 December 2021, the Parent company had a net financial position amounting to a surplus of 233,693 thousand Euro, considering also lease liabilities in accordance with the accounting standard IFRS 16; as at 31 December 2020, the Company's net financial position amounted to a surplus of 149,104 thousand Euro.

As at 31 December 2021, committed credit lines had a maximum residual maturity of forty-eight months and a weighted average residual maturity of thirty-five months. In general, the Parent company's committed credit lines (both revolving credit lines and term loans) that are currently outstanding do not require compliance with financial covenants. One exception is the loan agreement entered into with Intesa Sanpaolo S.p.A. on 24 July 2020. For more details, see note 21 Interest-bearing loans & borrowings - Limitations on the use of financial resources.

The credit lines and the related financial business are spread among leading national and international banks. It has always been the Company's policy to sign and constantly maintain with various and diversified banks a total amount of committed credit lines that is considered consistent with the needs of the individual companies and suitable to ensure at any time the liquidity needed to satisfy and comply with all the Group's financial commitments, at the established economic conditions, as well as guaranteeing the availability of an adequate level of operational flexibility for any expansion programs. While in 2020, in light of the emergency caused by the spread of Covid-19, the Group saw it fit to further strengthen its financial structure by increasing its committed lines with diversified counterparties, in 2021, considering the overall improvement in credit market conditions, the Group instead repaid part of the outstanding term loans early. Cash surpluses are held in current accounts with reference banks, which bear interest at the Euribor/Libor rate or the benchmark of the currency on the specific interbank market, or invested in intercompany loans, regulated at current market conditions, in order to reduce the Group's exposure to the banking system and limit the counterparty risk as well as the impact of financial charges. Liquidity investments are carried out with the prime objectives of making resources available at short notice and neutralizing the risk of capital losses, avoiding speculative transactions. These choices, which also take account of the likely future trend in cash flows together with prompt renegotiation of credit lines (even before their expiry), enable a significant reduction in the exposure to the risk under review and allow to adjust the cost of debt to the best market conditions. The Company has constantly maintained access to a wide range of financing sources at competitive costs, despite the external scenario, which continues to be characterized by rigidity in the credit market. Despite the Group's ability to generate high cash flows from current operations, the constant availability of an adequate amount of committed credit lines has allowed to face the most turbulent market phases and volatility in credit flows with confidence. The financial position of the Company and of the Group is measured on a monthly basis and compared with the latest Budget/Forecast. Management believes that the funds and credit lines currently available, with the addition of the funds which are likely to be generated from current operations, will enable the Company to safely address the repayment of loans at their natural expiries and to meet the needs arising from investment activities and working capital management.

Liquidity risk – Maturity analysis

31 December 2021

(In thousands of Euro)	< 3 months	3-12 months	1-5 years	> 5 years	Total
Trade payables	136,277	1,188			137,465
Payables to subsidiaries	11,509	622			12,131
Payables to banks and other lenders	46,281	11,220	52,884		110,385
Lease liabilities	4,782	11,469	51,886	59,002	127,139
Derivatives – non-hedging component	676	6	-	-	682
Derivatives – hedging component	6,359	10,897	-	-	17,256
Total	**205,884**	**35,402**	**104,770**	**59,002**	**405,058**

31 December 2020

(In thousands of Euro)	< 3 months	3-12 months	1-5 years	> 5 years	Total
Trade payables	89,393	541			89,934
Payables to subsidiaries	25,525				25,525
Payables to banks and other lenders	578	11,506	116,827		128,911
Payables to third parties	3,629				3,629
Lease liabilities	5,154	11,562	46,333	53,925	116,974
Derivatives – non-hedging component	93	65	-	-	158
Derivatives – hedging component	587	1,940	-	-	2,527
Total	**124,959**	**25,614**	**163,160**	**53,925**	**367,658**

The analysis conducted on the items representing financial liabilities showed maturities distributed over time, with trade payables concentrated within three months. In 2021, payables to banks had a maximum residual maturity below 5 years.
The reported financial assets have a shorter remaining life, as they mostly relate to cash and cash equivalents.

Credit risk

Credit risk represents the Company's exposure to potential losses arising from failure to meet trade or financial obligations taken on by counterparties.
The Company's exposure to credit risk depends on the nature of the activities which have generated the relevant receivables.
The Company's exposure to commercial credit risk refers only to sales to third parties and to receivables arising from revenues generated by licensing activities, which together represent around 22 percent of global turnover: the remaining turnover refers to intercompany and retail sales with payment in cash or through credit and debit cards upon purchase. Trade receivables mainly refer to wholesale sales and are generally due in 90 days or less.

The Company generally favors trade dealings with customers with whom it has well-established and consolidated relations. Pursuant to its policy, Salvatore Ferragamo S.p.A. checks credit ratings of customers who ask for extended payment terms, based both on information which can be obtained from specialist agencies and on the observation and analysis of historical data of established customers. In addition, the balance of trade receivables is constantly monitored during the year in order to ensure prompt intervention and to reduce the risk of losses. The allocation of the credit risk among a number of customers and obtaining, where possible, guarantees or the adoption of means of payment which are less risky for the creditor, such as documentary letters of credit, are all actions aimed at further mitigating this risk.

Trade receivables are recorded net of write-downs, which are estimated based on the counterparty's insolvency risk, determined by considering the information available on the customer's solvency and its past history.

In general, the Company believes that the credit risk management policies implemented enabled overdue and bad debts, which required the adoption of legal credit collection measures, to be kept within reasonable limits.

The credit risk connected to financing, investing and operating activities in derivatives to hedge the exchange rate risk is represented by the inability of the counterparty or the issuer of the instruments to meet their contractual obligations, i.e. the so-called counterparty risk. The Company manages this type of risk by selecting counterparties with high credit ratings and who are considered solvent by the market and with whom it has routine and ongoing trade and banking service relations. The Company negotiated and entered into master agreements, in accordance with the international standards (ISDA Master Agreement), with all foreign counterparties of derivatives, in order to regulate the various cases.

The credit risk regarding the Company's other financial assets, consisting of cash and cash equivalents, available-for-sale financial assets and some derivatives, has a risk equal to the book value of these assets in case of insolvency of the counterparty.

Maximum credit risk exposure

	31 December 2021		31 December 2020	
(In thousands of Euro)	Current portion	Non current portion	Current portion	Non current portion
Receivables and loans				
- Trade receivables	165,077		144,139	
- Receivables due from credit cards	226		440	
- Cash and cash equivalents	356,105		212,453	
- Guarantee deposits	-	373	-	329
Derivatives	922	-	7,166	-
Total	**522,330**	**373**	**364,198**	**329**

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 2021 and 31 December 2020, 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 2021	%	31 December 2020	%
Italy	21,785	13.2%	24,547	17.0%
Europe	18,408	11.2%	8,546	5.9%
North America	52,329	31.7%	34,882	24.2%
Japan	4,319	2.6%	5,313	3.7%
Asia Pacific	46,413	28.1%	39,953	27.7%
Central and South America	21,823	13.2%	30,898	21.4%
Total	**165,077**	**100.0%**	**144,139**	**100.0%**

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

Analysis on receivables' expiry dates

(In thousands of Euro)	Receivables neither past due nor impaired	Receivables past due but not impaired					Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days	
31 December 2021	144,866	1,286	1,630	2,709	1,894	12,692	165,077
31 December 2020	117,414	6,293	2,425	3,557	383	14,067	144,139
Figures in % as at 31 December 2021	87.8%	0.8%	1.0%	1.6%	1.1%	7.7%	100.0%
Figures in % as at 31 December 2020	81.5%	4.4%	1.7%	2.5%	0.3%	9.8%	100.0%

The table provides an analysis of the maturities of receivables which are past due but not impaired for the years ended 31 December 2021 and 31 December 2020.

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

	2021	2020
Percentage of revenues with the biggest customer	2.94%	2.60%
Percentage of revenues with the 3 biggest customers	4.69%	4.10%
Percentage of revenues with the 10 biggest customers	8.20%	7.50%

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 2021 and 2020.

To this end, the Company's capital management aims to, among other things, ensure compliance with the covenants associated with financial payables to banks that define capital structure requirements.

The Company includes under net debt, if any, interest-bearing loans, other financial payables, lease liabilities, trade and other payables, net of cash and cash equivalents. The table does not include the values and related effects produced by the derivatives used to manage exchange rate risk.

(In thousands of Euro)	31 December 2021	31 December 2020
Interest-bearing loans	109,173	124,919
Lease liabilities	111,629	101,700
Trade and other payables (net of hedging derivatives)	167,151	124,813
Cash and cash equivalents	356,105	212,453
Net debt	**31,848**	**138,979**
Total Shareholders' equity (net of the cash flow hedge reserve)	**672,226**	**651,607**
Shareholders' equity and net debt	**704,074**	**790,586**
Debt/Shareholders' equity ratio	**4.74%**	**21.33%**

4. Impacts of the Covid-19 Emergency

Over the last two years, the world economy has been significantly affected by the outbreak of the pandemic caused by the novel coronavirus, known as Covid-19. During 2020, this situation led the Italian government as well as governments around the world to restrict and suspend business operations, the movement of people, and international traffic (so-called lockdown). This had an especially negative impact on tourist flows across the globe, causing most of the distribution network of the Company and the Group to shut down.
2021 was also dominated by the Covid-19 pandemic, which continued affecting the world economy and limiting travel and international tourism. The impact has varied across markets, which were influenced by several factors – including the containment measures taken by the Italian government and various governments, the different timing of when variants of the virus spread, and the progress on vaccination campaigns, which are still ongoing. Although the situation remains uncertain and it is hard to make forecasts for the medium term, Salvatore Ferragamo's results for the year 2021 point to a positive trend, with revenues essentially in line with 2020 (+0.7%) and a steady improvement in financial performance.
Where possible, once again in 2021 the Company benefited from reliefs offered to businesses. Personnel costs were up 19.1% in 2021 compared to the prior-year period, largely because of the economic recovery, and they benefited from employment support measures to a lesser extent than in 2020.

To curb the negative impacts of the Covid-19 pandemic, the Company continued benefiting from negotiations that had started in 2020 to revise the terms and conditions of leases for its distribution network and other premises, resulting in a 482 thousand Euro positive variable lease payment that was directly recognized through profit or loss (within the line item Costs for services under Costs for the use of third-party assets).

In 2021, the Company drew a net total of 3,882 thousand Euro from the provision for obsolete inventory, compared to net write-downs amounting to 6,624 thousand Euro in 2020 (see note 13 Inventories). The provision for bad debt, to which the Company allocated 375 thousand Euro in 2021 (437 thousand Euro in 2020), was adjusted in accordance with the risk assessments relating to the current situation (see note 15 Trade receivables). As for the analysis of liquidity and credit risks, see note 3 Management of financial risks.

Impairment losses and reversals

Concerning the identification of indicators of potential impairment losses as at 31 December 2021 (so-called trigger events), please note that in 2021, although the pandemic continues affecting the global economic outlook, the available forecasts regarding scenarios in the foreseeable future are consistent with the assumptions used in preparing the impairment tests for the Company's separate financial statements as at 31 December 2020. Therefore, the Company did not identify any indicators of potential impairment losses as at 31 December 2021 (so-called trigger events), other than the impairment losses already recognized in 2020.
Considering the lingering uncertainty over the economic scenario in which the Company operates, which is still affected by the Covid-19 pandemic, please note that, concerning the assets tested for impairment as at 31 December 2020 and on which the Company had recognized an impairment loss, in 2021 the Company decided not to calculate any reversal.

Personnel

In response to the continuing Covid-19 pandemic, the measures protecting the health of employees at both offices and directly operated stores remained in place throughout 2021; specifically, the safety protocols defined in 2020 remained in place, updated as necessary, and the Company maintained a supplemental health insurance policy covering symptoms associated with Covid-19. In October 2021, as required by law, the Company started systematically checking for Green pass certificates in the workplace.
Smart-working, introduced as an experiment in 2019 and expanded also to protect the health of employees at the Italian offices, remained in use, making it flexible in accordance with the evolution of the pandemic.

5. Business combinations

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

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

The merger's impact on the Separate Financial Statements is detailed below.

(In thousands of Euro)	Contribution from Merger
ASSETS	
Property, plant and equipment	3,040
Right-of-use assets	361
Intangible assets with a finite useful life	1,434
Investments in subsidiaries	(21,562)
Other non current assets	700
Other non current financial assets	16
Deferred tax assets	2,411
Inventories	21,642
Trade receivables	15,319
Tax receivables	600
Other current assets	2,394
Cash and cash equivalents	7,597
TOTAL ASSETS	**33,952**

(In thousands of Euro)	Contribution from Merger
LIABILITIES	
Provisions for risks and charges	642
Employee benefit liabilities	2,329
Deferred tax liabilities	32
Non current lease liabilities	214
Trade payables	13,115
Interest-bearing loans & borrowings	15,712
Tax payables	124
Other current liabilities	1,637
Other current financial liabilities	147
TOTAL LIABILITIES	**33,952**

Establishment of Parfums Italia S.r.l. and sale of 100% to Inter Parfums, Inc

On 3 June 2021, Salvatore Ferragamo S.p.A. announced it had entered into exclusive negotiations with Inter Parfums, Inc., a manufacturer and distributor of premium fragrances and cosmetics, to manage Ferragamo-branded fragrances under a license. On 7 July 2021, the parties defined and agreed the terms of the transfer of the fragrances business from Salvatore Ferragamo S.p.A. to the Inter Parfums, Inc. group, with the grant of an exclusive global license to produce and distribute Ferragamo-branded fragrances. To this end, the company Parfums Italia S.r.l., based in Florence and wholly-owned by Salvatore Ferragamo S.p.A., was set up on 8 September 2021 with a 10 thousand Euro cash contribution. On 27 September 2021, Salvatore Ferragamo S.p.A. made a contribution in kind to Parfums Italia S.r.l., transferring the assets and liabilities associated with the fragrances business and increasing the share capital by 17,128,000 Euro. The contribution was filed on 27 September 2021 with the Company Register with jurisdiction over Salvatore Ferragamo S.p.A.. The transfer of the fragrances business to the Inter Parfums, Inc. group closed on 1 October 2021, with i) the sale of all shares in the newly-established entity Parfums Italia S.r.l. to Inter Parfums, Inc. at a price equal to the value of the entity's equity, and ii) the grant of an exclusive global license to produce and distribute Ferragamo-branded fragrances. The license has an initial term of 10 years and may be renewed for an additional 5 years upon the satisfaction of certain conditions. The licensee shall operate through a dedicated wholly-owned Italian entity to preserve the existing know-how and experience, consolidate a close relationship with the brand, and promote the future growth of Ferragamo fragrances, combining professional expertise, quality, and respect for the brand's values.

The impact of the contribution into Parfums Italia S.r.l. and the subsequent sale of 100% of the company on the Separate Financial Statements is detailed below:

(In thousands of Euro)	Contribution into Parfums Italia S.r.l.
ASSETS	
Property, plant and equipment	(1,375)
Other non current assets	(650)
Inventories	(15,340)
Other current assets	(588)
Cash and cash equivalents	(10)
Employee benefit liabilities	494
Other current liabilities	331
Interest in Parfums Italia S.r.l.	17,138
Sale of Parfums Italia S.r.l.	
Sale of 100% of Parfums Italia S.r.l.	(17,138)
Consideration received	17,138
Cash and cash equivalents contributed	(10)
Net cash and cash equivalents generated by the sale of the shares	**17,128**

Discontinued operation

As already mentioned, the financial performance of the discontinued operation for 2021 refers to the fragrances business that was transferred to the Parent Company in 2021 as a result of the merger of Ferragamo Parfums S.p.A. into Salvatore Ferragamo S.p.A. and the subsequent sale of the fragrances business to Inter Parfums, Inc by selling 100% of the newly-established entity Parfums Italia S.r.l. (for more details, see the information presented above in this paragraph). Below is the financial performance of the discontinued operation, including intragroup transactions, for the year 2021. The comparative information from 2020 was not reported as the discontinued operation was merged into Salvatore Ferragamo S.p.A. during 2021.

(In thousands of Euro)	2021
Revenues from contracts with customers	31,455
Change in inventories of finished products	(4,557)
Costs for raw materials, goods and consumables	(14,072)
Costs for services	(14,244)
Personnel costs	(1,565)
Amortization, depreciation and write-downs	(2,122)
Other operating costs	(2,033)
Other income and revenues	485
Operating profit/(loss)	**(6,653)**
Financial charges	(107)
Financial income	52
Profit/(loss) before taxes	**(6,708)**
Income Taxes	(162)
Net profit(/loss) from discontinued operation	**(6,870)**

The loss from the discontinued operation for 2021 totaled 6,870 thousand Euro, including the 4.5 million Euro loss (relating mainly to Inventories and Industrial and Commercial Equipment) for the measurement at the lower of the carrying amount and fair value less costs to sell, calculated based on the agreements with Inter Parfums, Inc. and referring to certain items subsequently transferred to Parfums Italia S.r.l..

Below are the net cash flows from the **discontinued operation** for the year 2021:

(In thousands of Euro)	2021
Net cash from/(used in) operating activities	311
Net cash from/(used in) investing activities	16,992
Net cash from/(used in) financing activities	-
Net cash and cash equivalents generated	**17,303**

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

6. Property, plant and equipment

The breakdown of Property, plant and equipment as at 31 December 2021 and 31 December 2020 is shown in the following table:

(In thousands of Euro)	31 December 2021			31 December 2020		
	Historical Cost	Acc. depreciation	Net value	Historical Cost	Acc. depreciation	Net value
Land	18,010	-	18,010	18,010	-	18,010
Buildings	67,368	15,227	52,141	66,980	13,165	53,815
Plant and equipment	55,614	38,579	17,035	55,025	33,825	21,200
Industrial and commercial equipment	21,368	19,301	2,067	21,474	19,671	1,803
Other assets	44,647	39,470	5,177	43,736	36,514	7,222
Leasehold improvements	23,753	21,141	2,612	22,947	20,394	2,553
Fixed assets in progress and payments on account	661	-	661	422	-	422
Total	**231,421**	**133,718**	**97,703**	**228,594**	**123,569**	**105,025**

The following tables show the change in the item Property, plant and equipment for the years ended 31 December 2021 and 2020:

(In thousands of Euro)	Value 01.01.2021	Additions	Disposals	Depreciation	Contribution from Merger	Impairment	Decrease from Contribution	Value at 31.12.2021
Land	18,010	-	-	-	-	-	-	18,010
Buildings	53,815	388	-	(2,062)	-	-	-	52,141
Plant and equipment	21,200	666	-	(4,831)	-	-		17,035
Industrial and commercial equipment	1,803	1,212	(46)	(1,199)	3,009	(1,337)	(1,375)	2,067
Other assets	7,222	951	(22)	(3,005)	31	-	-	5,177
Leasehold improvements	2,553	1,273	(27)	(1,187)	-	-	-	2,612
Fixed assets in progress and payments on account	422	3,384	(3,145)	-	-	-	-	661
Total	**105,025**	**7,874**	**(3,240)**	**(12,284)**	**3,040**	**(1,337)**	**(1,375)**	**97,703**

(In thousands of Euro)	Value 01.01.2020	Additions	Disposals	Depreciation	Contribution from Merger	Impairment	Value at 31.12.2020
Land	18,010	-	-	-	-	-	18,010
Buildings	55,667	193	-	(2,045)	-	-	53,815
Plant and equipment	25,767	690	(22)	(5,283)	54	(6)	21,200
Industrial and commercial equipment	1,985	528	(2)	(680)	-	(28)	1,803
Other assets	10,071	895	(18)	(3,759)	33	-	7,222
Leasehold improvements	3,433	415	(3)	(1,154)	-	(138)	2,553
Fixed assets in progress and payments on account	487	1,587	(1,652)	-	-	-	422
Total	**115,420**	**4,308**	**(1,697)**	**(12,921)**	**87**	**(172)**	**105,025**

The increase:

- in the item "buildings" mainly refers to works at the Osmannoro-Sesto Fiorentino facility;
- in the item "Plant and equipment" refers mainly to the purchase and installation of new plant at the Osmannoro-Sesto Fiorentino facility;
- in the item "Industrial and commercial equipment" refers largely to the purchase of new furniture and equipment for the stores that were refurbished during the year;
- in the item "other assets" primarily concerns IT equipment (655 thousand Euro) and equipment for the Osmannoro-Sesto Fiorentino facility and certain stores;
- in the item "Leasehold improvements" refers mainly to the renovation of some stores that was completed in 2021.

The item "Fixed assets in progress and payments on account" refers largely to expenses incurred and payments on accounts made for works yet to be completed as at the reporting date. The decrease in the item primarily refers to the completion of construction and renovation work started in previous years.

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. The Company constantly monitors the latest government regulations on climate-related topics. At the moment, no law that materially affects the Company has been passed; should a change become necessary, the Company will adjust the key assumptions used in estimates.

The 1,337 thousand Euro impairment loss on "industrial and commercial equipment" mainly represents the impairment recognized on equipment and molds under the agreements with Inter Parfums, Inc.. Salvatore Ferragamo recognized the loss before contributing this asset into Parfums Italia S.r.l..

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

For details on the items "Contribution from Merger" and "Decrease from contribution" see note 5 Business Combinations.

In 2020, the item "Contribution from Merger" referred to the acquisition and subsequent merger of the entities Arts S.r.l. and Aura 1 S.r.l.; for more details, see the 2020 Annual Report.

7. Right-of-use assets

The breakdown of Right-of-use assets as at 31 December 2021 and 2020 is shown in the following table:

	31 December 2021			31 December 2020		
(In thousands of Euro)	Historical Cost	Acc. depreciation	Net value	Historical Cost	Acc. depreciation	Net value
Buildings	144,536	41,715	102,821	123,499	30,490	93,009
Vehicles	3,942	2,098	1,844	3,860	1,474	2,386
Equipment and other assets	779	700	79	777	437	340
Total	**149,257**	**44,513**	**104,744**	**128,136**	**32,401**	**95,735**

The following tables show the change in right-of-use assets for the years ended 31 December 2021 and 2020.

(In thousands of Euro)	Value at 01.01.2021	Additions	Disposals	Depreciation	Contribution from Merger	Value at 31.12.2021
Buildings	93,009	24,941	(722)	(14,644)	237	102,821
Vehicles	2,386	715	(4)	(1,377)	124	1,844
Equipment and other assets	340	2	-	(263)	-	79
Total	**95,735**	**25,658**	**(726)**	**(16,284)**	**361**	**104,744**

(In thousands of Euro)	Value at 01.01.2020	Additions	Disposals	Depreciation	Value at 31.12.2020
Buildings	108,543	6,116	(4,153)	(17,497)	93,009
Vehicles	1,733	1,810	(36)	(1,121)	2,386
Equipment and other assets	602	-	-	(262)	340
Total	**110,878**	**7,926**	**(4,189)**	**(18,880)**	**95,735**

The line item Buildings includes Right-of-use assets largely relating to leases of stores (accounting for approximately 73% of right-of-use assets - Buildings) and, to a lesser extent, leases of offices, company lodgings, and other premises. The largest increases observed during the year refer to new leases started in 2021, whereas the most significant declines relate to leases that were either terminated early or for which the Company negotiated a reduction in future lease payments.

For details on the item “Contribution from Merger” see note 5 Business Combinations.

For more details on cash outflows related to leases, see notes 25 Lease Liabilities and 34 Costs for services.

As envisaged by the analysis procedure for impairment indicators adopted by the Company, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources. External sources typically consist of changes in the technological, economic and legal framework in which the Company operates, while internal sources are corporate strategies which may or may not change decisions on where to locate stores/offices.

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

8. Goodwill

The amount of Goodwill, totaling 6,679 thousand Euro, was entirely acquired in 2020 as a result of the acquisition and subsequent merger of Arts s.r.l. and Aura 1 S.r.l.: for details, see the 2020 Annual Report, paragraph 5 Business Combinations, Significant events occurred during the year. This item was unchanged in 2021.

As required by the procedure for analyzing impairment indicators adopted by the Company, goodwill is tested annually to determine the recoverable amount. The impairment test was conducted by grouping CGUs at the Group level as a whole.

In reviewing its impairment indicators, the Company considers, among other factors, the ratio of its market capitalization to book value. As at 31 December 2021, the Company's market capitalization exceeded the book value of equity, ruling out the existence of an impairment indicator.

The value used to determine the recoverable amount of the CGU is the value in use. This was calculated based on expected cash flows, which were discounted at an appropriate rate (Discounted cash-flow- DCF analysis).

The DCF analysis was performed based on the budget for the year 2022, prepared and approved by the Board of Directors of Salvatore Ferragamo S.p.A.; as for the two following explicit forecast years, the Group used the business plans prepared by management, which represent the best estimate the Group can make of the economic conditions expected for the period.

The main assumptions to determine the recoverable amount are given below:

- Terminal Value: determined using the perpetuity model with a long-term growth rate "g" which represents the present value, in the final projected year, of all the expected future cash flows.
- Growth rate "g": 1.9%, which was assumed to be equal to the rate of inflation expected to prevail over the medium – long term in the main markets where the Group operates;
- Discount rate (Weighted Average Cost of Capital, WACC): equal to 8.07%; considering the Group's positive net financial position, it is based on government bond yields in the main markets where the Group operates, adjusted to account for the risk premium expected by investors for the specific investment in equity instruments as well as the correlation of such instruments to the relevant market.

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

The sensitivity analysis of the above material assumptions used to determine the recoverable amount, performed on goodwill, did not yield different results in terms of recoverable amount, even when considering substantial changes in the parameters.

9. Intangible assets with a finite useful life

The breakdown of Intangible assets with a finite useful life as at 31 December 2021 and 2020 is shown in the following table:

	31 December 2021			31 December 2020		
(In thousands of Euro)	Historical Cost	Acc. amortization	Net value	Historical Cost	Acc. amortization	Net value
Development costs	85,028	63,928	21,100	77,514	53,192	24,322
Know- how	6,380	1,396	4,984	6,380	598	5,782
Industrial patents and use of intellectual property rights	19,129	18,558	571	18,171	17,131	1,040
Concessions, licenses and trademarks	9,029	7,371	1,658	7,803	6,365	1,438
Intangible assets with a finite useful life in progress	3,333	-	3,333	2,764	-	2,764
Total	**122,899**	**91,253**	**31,646**	**112,632**	**77,286**	**35,346**

The following tables show the change in the item Intangible assets with a finite useful life for the years ended 31 December 2021 and 2020:

(In thousands of Euro)	Value at 01.01.2021	Additions	Disposals	Amortization	Contribution from Merger	Impairment	Value at 31.12.2021
Development costs	24,322	6,177	-	(10,184)	785	-	21,100
Know- how	5,782	-	-	(798)	-	-	4,984
Industrial patents and use of intellectual property rights	1,040	230	-	(869)	376	(206)	571
Concessions, licenses and trademarks	1,438	340	-	(368)	248	-	1,658
Intangible assets with a finite useful life in progress	2,764	7,499	(6,955)	-	25	-	3,333
Total	**35,346**	**14,246**	**(6,955)**	**(12,219)**	**1,434**	**(206)**	**31,646**

(In thousands of Euro)	Value at 01.01.2020	Additions	Disposals	Amortization	Contribution from Merger	Value at 31.12.2020
Development costs	26,088	8,243		(10,010)	1	24,322
Know- how	-	-	-	(598)	6,380	5,782
Industrial patents and use of intellectual property rights	2,110	375	(4)	(1,455)	14	1,040
Concessions, licenses and trademarks	1,377	334	-	(273)	-	1,438
Intangible assets with a finite useful life in progress	6,148	4,874	(8,258)	-	-	2,764
Total	**35,723**	**13,826**	**(8,262)**	**(12,336)**	**6,395**	**35,346**

The additions relating to the item "Development costs" is mainly related to the capitalization of expenses for the development of business software applications (SAP accounting system, ERP, reporting systems, and the e-commerce platform). As at 31 December 2021, the Company reported no intangible assets arising from internal development.

The 230 thousand Euro increase in "Industrial patents and use of intellectual property rights" refers to the cost for licenses to use software for the Company's business operations.

The increase in "Concessions, licenses and trademarks" refers to the costs for filing and registering the Salvatore Ferragamo trademark.

The item Contribution from Merger refers to the amounts of Ferragamo Parfums S.p.A., which were incorporated following the merger. For the details, see note 5 Business Combinations.

Investments in intangible assets under development refer to investments in the development of software to support business processes, including: the "New Pos Solution" project, aimed at introducing the new cash register and back office system, Oracle Xstore, for the Group's retail channel, the so-called "Marlin Project" aimed at standardizing the Group's retail information systems relying on SAP, and the Company's continued development of the e-commerce project.

The item "Know-how" refers to the determination of know-how resulting from the fair value measurement of the assets and liabilities acquired in 2020 as a result of the acquisition and subsequent merger of the entities Arts S.r.l. and Aura 1 S.r.l.; for more details, see the 2020 Annual Report.

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.

The 206 thousand Euro impairment loss on "Industrial patents and use of intellectual property rights" refers to software licenses which the Company believes will no longer be useful to its operations.

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

10. Investments in subsidiaries

The breakdown of Investments in subsidiaries as at 31 December 2021 and 2020 is shown in the following table:

(In thousands of Euro) Company	% investment	Value at 01.01.21	Additions	Disposals	Reclassification	Value at 31.12.21
Ferragamo Parfums S.p.A.	100*	21,562	-	(21,562)	-	-
Ferragamo Mexico S. de R.L. de C.V.	99.73	538	-	-	-	538
Ferragamo Austria Gmbh	100	4,434	-	-	-	4,434
Ferragamo Deutschland GmbH	100	4,627	-	-	-	4,627
Ferragamo Belgique SA	100	731	-	-	-	731
Ferragamo (Suisse) SA	100	890	-	-	-	890
Ferragamo U.K. Limited	100	5,591	-	-	-	5,591
Ferragamo Australia Pty Ltd.	100	4,132	-	-	-	4,132
Ferragamo France S.A.S.	100	9,006	-	-	-	9,006
Ferragamo Espana S.L.	100	1,001	-	-	-	1,001
Ferragamo Argentina S.A.	95	-	756	(631)	(89)	36
Ferragamo USA Inc.	100	57,875	-	-	-	57,875
Ferragamo Moda (Shanghai) Co. Ltd.	75	3,732	-	-	-	3,732
Ferragamo Hong Kong Ltd.	100	12,771	-	-	-	12,771
Ferragamo (Malaysia) Sdn. Bhd.	100	2,856	-	-	-	2,856
Ferragamo Korea Ltd.	100	36,032	-	-	-	36,032
Ferragamo Retail Macau Limited	75.2	1,241	-	-	-	1,241
Ferragamo Retail Nederland B.V.	100	1,337	-	-	-	1,337
Ferragamo Retail India Private Limited	100	-	-	-	-	-
Ferragamo Brasil Roupas e Acessorios Ltda.	99	-	-	-	-	-
Parfums Italia S.r.l.	100	-	17,138	(17,138)	-	-
Total		**168,356**	**17,894**	**(39,331)**	**(89)**	**146,830**

*Percentage investment referring to 31.12.2020 (Entity merged into Salvatore Ferragamo S.p.A. during 2021).

The changes seen in 2021 refer to the following:

- with respect to the investment in Ferragamo Parfums S.p.A., the merger of Ferragamo Parfums S.p.A. into Salvatore Ferragamo S.p.A., finalized with the deed of merger filed with the Company Register with jurisdiction over Salvatore Ferragamo S.p.A. on 21 April 2021. The merger is effective retroactively to 1 January 2021 for accounting and tax purposes and effective 1 May 2021 for legal purposes. The merger was born out of the need to streamline the Salvatore Ferragamo Group's corporate structure in Italy, optimizing the management of resources. As at 31 December 2020, the investment in Ferragamo Parfums S.p.A. had been written down to the Shareholders' Equity of the subsidiary as at that date, representative of fair value at the time, therefore the merger had no impact on the shareholders' equity of Salvatore Ferragamo S.p.A.. For more details, see note 5 Business Combinations.

- with respect to the investment in Parfums Italia S.r.l., the changes were strictly related to the transfer and licensing of Ferragamo-branded fragrances to Inter Parfums, Inc. Specifically, the company Parfums Italia S.r.l., based in Florence and wholly-owned by Salvatore Ferragamo S.p.A., was set up on 8 September 2021 with a 10 thousand Euro cash contribution. The business unit was then transferred to the new entity for 17,128 thousand Euro with a deed filed with the Company Register on 27 September 2021 and that became effective on the same date. The transfer of the fragrances business to the Inter Parfums, Inc. group closed on 1 October 2021, with i) the sale of all shares in the newly-established entity Parfums Italia S.r.l. to Inter Parfums, Inc. at a price equal to the value of the entity's equity, and ii) the grant of an exclusive global license to produce and distribute Ferragamo-branded fragrances. The license has an initial term of 10 years and may be renewed for an additional 5 years upon the satisfaction of certain conditions. For more details, see note 5 Business Combinations.

The decrease and increase in the investment in Ferragamo Argentina SA referred to the 75,361,136 Peso capital reduction to cover losses and the subsequent 15,000,000 Peso share capital increase finalized on 13 May 2021, which was subscribed for 95% by Salvatore Ferragamo S.p.A in exchange for outstanding trade receivables, and for the remaining 5% by the Company Ferragamo USA Inc.. As a result, the subsidiary's share capital now totals 16,000,000 Peso.

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 analyses carried out did not identify indicators of impairment with respect to investments, therefore these were not tested for impairment. Considering the lingering uncertainty over the economic scenario in which the Group operates, which is still affected by the Covid-19 pandemic, please note that in 2021 the Company decided not to calculate any reversal of impairment losses.

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 01.01.21**	**Provisions**	**Reclassification**	**Value at 31.12.21**
Ferragamo (Singapore) Pte Ltd.	100	(16,621)	(6,665)	-	(23,286)
Ferragamo Chile S.A.	99	(807)	(253)	-	(1,060)
Ferragamo (Thailand) Ltd	100	(3,016)	(1,039)	-	(4,055)
Ferragamo Monte-Carlo S.A.M.	100	(74)	(391)		(465)
Ferragamo Argentina S.A.	95	(89)	-	89	-
Ferragamo Japan K.K.	71	(13,887)	(2,489)	-	(16,376)
Total		**(34,494)**	**(10,837)**	**89**	**(45,242)**

The following table shows the key data from the financial statements of the subsidiaries as at 31 December 2021, together with the historical cost of the investments as well as the Provision for write-downs and the Provision for excess write-downs of investments, if any, as at 31 December 2021:

(In thousands) Subsidiaries	% investment	Total Shareholders' Equity	Profit (Loss) for the year	Investment historical cost	Prov. for write-downs and Prov. for excess write-downs of invest.	Investment net value
Ferragamo Austria Gmbh	100	4,073	90	4,434	-	4,434
Ferragamo Deutschland Gmbh	100	4,992	345	9,246	(4,619)	4,627
Ferragamo Belgique SA	100	692	26	1,066	(335)	731
Ferragamo France S.A.S.	100	9,607	(1,031)	12,332	(3,326)	9,006
Ferragamo (Suisse) SA	100	1,497	(3)	890	-	890
Ferragamo Espana S.L.	100	3,615	(117)	6,857	(5,856)	1,001
Ferragamo U.K. Limited	100	6,741	608	10,478	(4,887)	5,591
Ferragamo Retail Nederland B.V.	100	1,246	61	2,291	(954)	1,337
Ferragamo Australia Pty Ltd.	100	14,261	184	4,132	-	4,132
Ferragamo USA Inc.*	100	81,979	6,140	57,875	-	57,875
Ferragamo Mexico S. de R.L. de C.V.	99.73	32,221	3,872	538	-	538
Ferragamo Hong Kong Ltd.	100	104,138	3,692	12,771	-	12,771
Ferragamo (Malaysia) Sdn. Bhd.	100	2,733	(1,183)	2,856	-	2,856
Ferragamo Argentina S.A.	95	430	789	3,814	(3,778)	36
Ferragamo Retail India Private Limited	100	(5,242)	52	10,211	(10,211)	-
Ferragamo Korea Ltd.	100	65,505	4,530	36,032	-	36,032
Ferragamo Moda (Shanghai) Co. Ltd.	75	1,073	2,351	3,732	-	3,732
Ferragamo Retail Macau Limited	75.2	6,502	(1,087)	1,241	-	1,241
Ferragamo Brasil Roupas e Acessorios Ltda.	99	3,642	295	17,732	(17,732)	-
Subtotal: Investments in subsidiaries				**198,528**	**(51,698)**	**146,830**
Ferragamo Monte-Carlo S.A.M.	100	(465)	(391)	1,063	(1,528)	(465)
Ferragamo Japan K.K.	71	(23,064)	(4,339)	8,397	(24,773)	(16,376)
Ferragamo Chile S.A.	99	(1,072)	(361)	1,741	(2,801)	(1,060)
Ferragamo (Thailand) Limited	100	(4,055)	(1,121)	2,108	(6,163)	(4,055)
Ferragamo (Singapore) Pte Ltd.	100	(23,286)	(5,426)	3,096	(26,382)	(23,286)
Subtotal: Investments in subsidiaries with Provision for excess write-downs of investments				**16,405**	**(61,647)**	**(45,242)**
Total				**214,933**	**(113,345)**	**101,588**

* Data refer to the Ferragamo USA Group.

11. Other non current assets

Other non current assets" totaled 1,888 thousand Euro (1,026 thousand Euro as at 31 December 2020) and referred to the non-current portion of the tax credits recognized in the years 2020 and 2021, largely related to donations in support of cultural activities – the so-called "Art Bonus", the Tax credit for investments in operating assets, and the Research and Development, design and aesthetic conception, and technological innovation tax credit.

12. Other non current financial assets

"Other non current financial assets", totaling 338 thousand Euro (294 thousand Euro as at 31 December 2020), refer to guarantee deposits, mainly for existing rental contracts, and are accounted for at amortized cost.

13. Inventories

The breakdown of inventories as at 31 December 2020 and 2021 is set out in the following table:

(In thousands of Euro)	31 December 2020	Altre variazioni	Apporto da Fusione	Decremento per Conferimento	31 December 2021
Gross value of raw materials, accessories and consumables	29,272	12,013	12,978	(13,194)	41,069
Provision for obsolete inventory	(5,270)	(701)	(2,509)	4,470	(4,010)
Raw materials, accessories and consumables	**24,002**	**11,312**	**10,469**	**(8,724)**	**37,059**
Gross value of finished products and goods for resale	91,070	(29,330)	11,706	(8,890)	64,556
Provision for obsolete inventory	(23,722)	881	(533)	2,274	(21,100)
Finished products and goods for resale	**67,348**	**(28,449)**	**11,173**	**(6,616)**	**43,456**
Total	**91,350**	**(17,137)**	**21,642**	**(15,340)**	**80,515**

The "Other changes" in stocks of raw materials reflected a 11,312 thousand Euro increase compared to 2020, due to the production volumes for the period; the related provision reflects the obsolescence of raw materials (leather and accessories) which are no longer suitable for the Company's production plans for future collections. Raw materials also include leather and materials sent to third parties for subsequent processing.

The "Other changes" in inventories of finished products registered a 28,449 thousand Euro decline. The related provision reflects the difference between the purchase or production cost and the estimated realizable value of products belonging primarily to past collections.

For details on the items "Contribution from Merger" and "Decrease from contribution" see note 5 Business Combinations.

For a better understanding of how the above provisions for obsolete inventory were calculated, please see note 2 "Statement of compliance with IFRS and Basis of presentation - Discretionary valuations and significant accounting estimates".

Net (uses) of and/or allocations to the provision for obsolete inventory were as follows (not including the write-downs associated with the fragrances business).

(In thousands of Euro)	2021	2020	change 2021 vs 2020
Raw materials	(1,260)	1,068	(2,328)
Finished products	(2,622)	5,556	(8,178)
Total	**(3,882)**	**6,624**	**(10,506)**

14. Right of return assets

Concerning the right of return as per "Revenue from contracts with customers", the line item "Right of return assets" (amounting to 11,759 thousand Euro as at 31 December 2021) includes the estimated cost of the products expected to be returned, equal to the lower of the previous carrying amount of inventories (estimated cost of production) and net realizable value, less potential future costs associated with their recovery. This item is closely related to Refund Liabilities (see note 27 Refund liabilities) and largely refers to the Group's European companies as well as, to a lesser extent, external customers.

15. Trade receivables

The breakdown of trade receivables as at 31 December 2021 and 2020 is shown in the following table:

(In thousands of Euro)	31 December 2021	31 December 2020	change 2021 vs 2020
Trade receivables from third parties	35,897	36,024	(127)
Provision for bad debt - third parties	(1,936)	(4,064)	2,128
Provision for bad debt - subsidiaries	(5,311)	(4,936)	(375)
Trade receivables from subsidiaries	136,427	117,115	19,312
Total	**165,077**	**144,139**	**20,938**

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.

For detailed information on trade receivables from subsidiaries reference should be made to note 45 Transactions with related parties below.

The changes in the provision for bad debt during 2021 were as follows:

(In thousands of Euro)	Value at 01.01.2021	Provisions	Uses	Contribution from Merger	Value at 31.12.2021
Provision for bad debt - third parties	4,064	-	2,655	527	1,936
Provision for bad debt - subsidiaries	4,936	375	-	-	5,311
Total	**9,000**	**375**	**2,655**	**527**	**7,247**

For an analysis of past due but not impaired trade receivables reference should be made to note 3 "Management of financial risks – Credit risk". The 375 thousand Euro allocation to the Provision for bad debt - subsidiaries refers to the adjustment to year-end exchange rates of the provision for bad debt recognized for Ferragamo Retail India Private Limited, set up in previous years and referring to foreign currency trade receivables. Meanwhile, the 2,655 thousand Euro drawdown referring to the Provision for bad debt - third parties refers to the closure of receivables that can no longer be recovered and were written off in previous years.

16. Tax receivables

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

(In thousands of Euro)	31 December 2021	31 December 2020	change 2021 vs 2020
Due from tax authorities (valued added tax)	12,122	-	12,122
Other tax receivables	4,795	2,906	1,889
Due from tax authorities (Irap)	-	974	(974)
Total	**16,917**	**3,880**	**13,037**

As at 31 December 2021, the item Other tax receivables mainly included:

- The Research and development, design and aesthetic conception, and technological innovation tax credit, totaling 2,156 thousand Euro, including 553 thousand Euro in the current portion of the credit estimated for 2021, while the remainder refers to current portions accrued in previous periods. The non current portion of said credit is recognized under "Other non current assets";
- the 509 thousand Euro current portion of the tax credit for donations in support of cultural activities – the so-called "Art Bonus", made in 2018, 2019, 2020, and 2021; the remaining 249 thousand Euro non current portion was included within "Other non current assets"; the 325 thousand Euro 2021 tax credit for these donations made in 2021 was recognized in profit or loss under "Other income and revenues".
- Other tax receivables, including the tax credits for store and non-residential property lease payments, introduced by the Italian government in response to the Covid-19 health emergency in 2020 and 2021.

Tax receivables were up 13,037 thousand Euro compared to 31 December 2020; this was mainly attributable to the amount due from tax authorities for VAT, for which the Company will claim a refund in 2022.

17. Other current assets

The breakdown of Other current assets as at 31 December 2021 and 2020 is shown in the following table:

(In thousands of Euro)	31 December 2021	31 December 2020	change 2021 vs 2020
Prepaid expenses	3,333	3,486	(153)
Other receivables for short-term hedging derivatives	326	6,878	(6,552)
Receivables due from credit card management companies	226	440	(214)
Receivables from staff	-	197	(197)
Other receivables	208	367	(159)
Receivables from social security institutions	89	266	(177)
Accrued income	253	154	99
Receivables from the Holding company	2,567	2,689	(122)
Total	**7,002**	**14,477**	**(7,475)**

Hedging derivatives, totaling 326 thousand Euro (6,878 thousand Euro as at 31 December 2020), refer to the fair value measurement of outstanding derivative contracts (hedging component) entered into by the Company to manage exchange rate risk on sales in currencies other than the Euro.

The 2,567 thousand Euro receivable due from the holding company Ferragamo Finanziaria S.p.A. as at 31 December 2021 refers to the net IRES credit (first IRES payment on account made in 2020 net of the IRES payable for 2021) and the greater Patent Box benefit for 2015 resulting from the restatement of taxable income assessed and agreed under the settlement entered into with the Inland Revenue Office, which required the Company to file a supplementary tax return for the year 2015, reducing the IRES tax expense under the domestic fiscal unity by 1,089 thousand Euro. This amount was recognized in 2020.

Prepaid expenses included 1,370 thousand Euro (1,877 thousand Euro as at 31 December 2020) in contributions for the fit-out of tailored single brand stores and/or stores-in-stores operated by third parties (TPOS).

18. Other current financial assets

(In thousands of Euro)	31 December 2021	31 December 2020	change 2021 vs 2020
Financial receivables due from subsidiaries	98,307	166,651	(68,344)
Short-term derivatives	596	288	308
Total	**98,903**	**166,939**	**(68,036)**

Financial receivables due from subsidiaries included the loans granted to the subsidiaries Ferragamo Monte-Carlo S.A.M., Ferragamo (Suisse) S.A., Ferragamo U.K. Limited, Ferragamo Japan K.K., Ferragamo Canada Inc., Ferragamo Usa Inc., Ferragamo (Singapore) PTE Ltd, Ferragamo (Thailand) Limited, and Ferragamo Retail Nederland B.V.. For detailed information on financial receivables due from subsidiaries, reference should be made to note 45 Transactions with related parties below.

The item "Short-term derivatives" totaled 596 thousand Euro and refers to the fair value measurement of derivatives for the non-hedging component (288 thousand Euro as at 31 December 2020). For further details, please refer to note 31 Financial instruments and fair value measurement below.

19. Cash and cash equivalents

The breakdown of Cash and cash equivalents as at 31 December 2021 and 2020 is shown in the following table:

(In thousands of Euro)	31 December 2021	31 December 2020	change 2021 vs 2020
Time deposits	25,000	25,000	-
Bank and post office sight deposits	330,898	187,382	143,516
Cash and values on hand	207	71	136
Total	**356,105**	**212,453**	**143,652**

Bank and post office deposits refer to temporary cash holdings maintained mainly to meet imminent payments or make intercompany loans, which include also a 25 million Euro short-term investment (time deposit). As at 31 December 2021, the Company had unused credit lines amounting to 465,000 thousand Euro; as at 31 December 2020, unused credit lines totaled 535,000 thousand Euro. For more details, see note 21 Interest-bearing loans & borrowings.

For the purposes of the statement of cash flows, the line item cash and cash equivalents as at 31 December 2021 and 2020 was broken down as follows:

(In thousands of Euro)	31 December 2021	31 December 2020	change 2021 vs 2020
Cash and bank sight deposits	331,105	187,453	143,652
Time deposits	25,000	25,000	-
Total	**356,105**	**212,453**	**143,652**

20. Share capital and reserves

The authorized, subscribed, and paid up **share capital** of the Company as at 31 December 2021 totaled 16,879,000 and consisted of 168,790,000 ordinary shares with a nominal value of 0.10 Euro each. During 2021, there were no changes in the number of shares outstanding.
The treasury share reserve, amounting to 15,532 thousand Euro, consisted of 774,163 shares in Salvatore Ferragamo S.p.A., purchased in the last quarter of 2021 (no. 624,163), in December 2018 (no. 14,000), and during 2019 (no. 136,000), at an average unit price of 20.06.
Share capital contributions, totaling 2,995 thousand Euro, were paid in a lump sum in 2003 by the Holding company Ferragamo Finanziaria S.p.A. and were reduced in 2007, due to the demerger.
The legal reserve of 4,188 thousand Euro was set up in previous years and cannot be distributed.
The **extraordinary reserve** of 594,520 thousand Euro was set up with retained earnings; the change recorded in the period was due to a decrease of 34,070 thousand Euro relating to the loss for the year 2020, which was covered by using the extraordinary reserve, net of the 60 thousand Euro increase referring to the reclassification of the entirety of the specific reserve set up to service the 2016 – 2020 Stock Grant plan, and the resulting reversal of said reserve, set up in 2016, as the 1st and 2nd Cycles of the Stock Grant plan came to a close during 2020 without granting any shares in Salvatore Ferragamo S.p.A..

The **revaluation reserve** consists of:

- Revaluation reserve as per Italian Law 342/00 amounting to 4,592 thousand Euro;
- Revaluation reserve as per Italian Law 350/03 amounting to 7,420 thousand Euro;
- Revaluation reserve as per Italian Law 266/05 amounting to 13,465 thousand Euro.

No deferred taxes have been allocated to the revaluation reserves based on the assumption that full taxation for these reserves will be indefinitely deferred. Indeed, no transactions are likely to be carried out which would cause their distribution.

The **cash flow hedge reserve** was negative 6,404 thousand Euro and is the result of the measurement of the financial instruments defined as cash flow hedges as at 31 December 2021, given the hedges against exchange rate risk, and is shown net of the tax effect.

The IAS 19 Equity reserve, negative for 1,611 thousand Euro, is the result of the valuation of actuarial gains and losses charged to shareholders' equity, as envisaged by IAS 19, and is shown net of the tax effect. This valuation was made by an independent actuary.

The item Other reserves totaled 12,510 thousand Euro and included the changes arising from the application of IAS/IFRS instead of Italian accounting standards with reference to the Company's opening balance of shareholders' equity as at 1 January 2010 and the closing balance as at 31 December 2010, in addition to the changes arising from the application of IAS/IFRS that concern Salvatore Ferragamo S.p.A. following the merger of Ferragamo Parfums S.p.A. into the Parent company (for more details, see paragraph 5 Business Combinations). The relevant offsetting item was recognized under IAS 19 Equity Reserve.

In addition, the item "Other reserves" includes:

- the 2016-2020 Stock Grant Reserve, totaling 921 thousand Euro;
- the Stock Grant Reserve relating to prior years, totaling 5,037 thousand Euro.

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

The amounts are net of the tax effects where applicable.

The following table shows, for each specific entry in shareholders' equity, information regarding the possibility of its use and distribution, as well as its use over the last three years.

Shareholders' equity	Value at 31 December 2021	Possibility of use	Amount available	Summary of uses made in the last three years
Share capital	16,879			
Treasury share reserve	(15,532)			
Share capital reserves				
Revaluation reserve Law 342/00	4,592	A - B	4,592	
Revaluation reserve Law 350/03	7,420	A - B	7,420	
Revaluation reserve Law 266/05	13,465	A - B	13,465	
Share capital contributions	2,995	A - B	2,995	
Provision as per Art 55	1	A - B - C	1	
Net profit reserves				
Legal reserve	4,188	B	812	
Extraordinary reserve	594,520	A - B - C	594,520	(34,070)
Reserve for adoption of IAS/IFRS	6,908	B*	2,007	
Accumulated gains/losses	(356)	B		
Cash flow hedge reserve	(6,404)			
IAS 19 reserve	(1,612)			
Stock Grant Reserve	5,958			
Net profit/(loss) for the year	32,800			
Total	**665,822**		**625,812**	**(34,070)**

Key: A - for share capital increase, B - to cover losses, C- for distribution to shareholders. * The available part of the reserve can be used only to cover losses and it must be subsequently reintegrated.

21. Interest-bearing loans & borrowings

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

(In thousands of Euro)	31 December 2021	31 December 2020	change 2021 vs 2020
Medium/long-term financial payables to banks	52,011	113,491	(61,480)
Short-term financial payables to banks	57,162	11,428	45,734
Total	**109,173**	**124,919**	**(15,746)**

During 2020, considering the impact of the Covid-19 pandemic, the Group saw it fit to further strengthen its financial structure by increasing its committed lines with diversified counterparties; in 2021, considering the overall improvement in credit market conditions, the Group instead repaid part of the outstanding term loans early.

As at 31 December 2021, the company reported approximately 109 million Euro in payables to banks, compared to 125 million Euro as at 31 December 2020. The credit lines used by the Company are arranged at floating rates. The cost of debt is generally benchmarked to the market rate for the period (usually Euribor/Libor or the benchmark of the loan currency on the specific interbank market) increased by a spread which depends on the type of credit line used. In general, uses of the lines range from one day to a maximum of one year. The margins applied are in line with the best market standards.

The financial instruments used are:

i) uncommitted credit lines made available to the Company in order to meet short-term financial needs linked to the management of working capital;

ii) short- and medium/long-term committed credit lines, in the form of either revolving credit lines or term loans, negotiated on a bilateral basis by the Company.

As at 31 December 2021, committed credit lines had a maximum residual maturity of forty-eight months and a weighted average residual maturity of thirty-five months. The credit lines and the related financial business are spread among leading national and international banks.

As far as financial payables to banks are concerned, the following table provides a breakdown by type of the credit lines granted to the Company and the relevant uses:

	31 December 2021		31 December 2020	
(In thousands of Euro)	Agreed	Used	Agreed	Used
Committed credit lines	419,063	74,063	505,000	125,000
- Revolving credit lines	*345,000*		*380,000*	
- Term loans	*74,063*	*74,063*	*125,000*	*125,000*
Uncommitted credit lines	155,000	35,000	155,000	
Total	**574,063**	**109,063**	**660,000**	**125,000**

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

(In thousands of Euro)	31 December 2021	31 December 2020	change 2021 vs 2020
A. Cash	331,105	187,453	143,652
B. Cash equivalents	25,000	25,000	-
C. Other current financial assets*	98,903	166,939	(68,036)
D. Cash and cash equivalents (A+B+C)	**455,008**	**379,392**	**75,616**
E. Current financial payables (including debt instruments)	35,513	40	35,473
F. Current portion of non-current financial payables**	37,339	30,849	6,490
G. Current financial debt (E+F)	**72,852**	**30,889**	**41,963**
H. Current financial debt, net (G-D)	**(382,156)**	**(348,503)**	**(33,653)**
I. Non-current financial payables (excluding debt instruments)***	148,463	199,399	(50,936)
J. Debt instruments	-	-	-
K. Trade and other current payables	-	-	-
L. Non current financial debt (I+J+K)	**148,463**	**199,399**	**(50,936)**
M. Net financial debt (H+L)	**(233,693)**	**(149,104)**	**(84,589)**

* The item includes 98,307 thousand Euro referring to related parties (short-term loans to Group companies); for further details, reference should be made to note 18 Other current financial assets and note 45 Transactions with related parties (intragroup transactions).

** The item comprises the current lease liability, including 8,101 thousand Euro due to related parties. For more details, reference should be made to note 45 Transactions with related parties.

*** The item comprises the 96,452 thousand Euro non current lease liability, including 62,481 thousand Euro due to related parties. For more details, reference should be made to note 45 Transactions with related parties.

Limitations on the use of financial resources

In general, the Company's committed and uncommitted credit lines (both revolving credit lines and term loans) that are currently outstanding do not require compliance with financial covenants.

One exception is the loan agreement entered into with Intesa Sanpaolo S.p.A. on 24 July 2020, which includes a financial covenant based on the ratio of Adjusted Net Financial Position to restated Ebitda to be tested annually starting from 31 December 2021 (based on data from the Consolidated Financial Statements; as at said date, the financial covenant was met).

22. Provisions for risks and charges

The breakdown of Provisions for risks and charges as at 31 December 2021 and 2020 is shown in the following table:

(In thousands of Euro)	Value at 01.01.2021	Provisions	Uses	Reclassification	Contribution from Merger	Value at 31.12.2021
Legal disputes	2,378	665	(1,852)	-	391	1,582
Provision for other risks	-	7	(139)	-	251	119
Provision for excess write-downs of investments	34,494	10,837	-	(89)	-	45,242
Total	**36,872**	**11,509**	**(1,991)**	**(89)**	**642**	**46,943**

Legal disputes mainly refer to allocations against likely future liabilities relating to legal proceedings against the Company for labor disputes as well as outstanding contractual and tax disputes. Labor disputes refer both to litigations and to estimates of settlement amounts which the Company might pay for settlement in the pre-litigation stage.

The amount set aside during the period refers to labor and legal disputes that arose during 2021.

The use of the provision for legal disputes, totaling 1,852 thousand Euro, refers to the settlement of a number of legal and labor proceedings and/or disputes involving the Company.

The provision for other risks refers to the additional allowance for agents associated with the fragrances business that operated in Italy.

For detailed information and the changes in the Provision for excess write-downs of investments reference should be made to note 10 Investments in subsidiaries.

As regards contingent liabilities, for which no provisions have been made, please refer to the section “Significant events occurred during the year – Tax and customs disputes and audits”.

23. Employee benefit liabilities

The line item included 6,333 thousand Euro in Employee benefit liabilities as at 31 December 2021 (6,504 thousand Euro as at 31 December 2020). The following table sets out the changes occurred during the period:

(In thousands of Euro)	31 December 2021	31 December 2020
Present value of the obligation at the beginning of the period	**6,504**	**6,503**
Contribution from Merger	2,329	64
Contribution	(494)	-
Service cost	63	
Financial charge/(income)	(10)	30
Benefits paid	(1,302)	(375)
Actuarial loss/(gain) arising from:		
- Financial assumptions	*(526)*	*331*
- Demographic assumptions	*(2)*	*1*
- Experience-based adjustments	*(229)*	*(50)*
Total actuarial loss / (gain)	(757)	282
Present value of the obligation at the end of the period	**6,333**	**6,504**

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

	2021	2020
Annual rate of salary increase	2.86%	2.98%
Annual discount rate	0.45%	(0.12%)
Inflation rate	1.50%	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; meanwhile, the staff turnover rate has been estimated at 5.6% per year.

Here below is a quantitative sensitivity analysis for the main assumptions as at 31 December 2021 and 2020 concerning employee benefit obligations:

(In thousands of Euro)	Change %	2021 Additions	2021 Disposals	2020 Additions	2020 Disposals
Annual discount rate	+/- 0.5%	(276)	295	(290)	311
Mortality rate	+/- 0.025%	(1)	1	(2)	2
Staff turnover rate	+/- 0.5%	(27)	29	(43)	45

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)	2021	2020
Top managers, middle managers and store managers	190.90	170.56
White collars	495.01	450.05
Blue collars	161.60	151.29
Temporary Agency staff	11.26	10.89
Total	**858.77**	**782.79**

Average staff was up compared to the previous year. Please note that in 2020 the number accounted also for the reduction in work hours resulting from the use of social welfare schemes activated by the Italian Government to support employment in response to the Covid-19 pandemic, which the Company used only partially in 2021.

24. Other non current liabilities

The line item includes Payables for leasehold improvement contributions, amounting to 371 thousand Euro (421 thousand Euro as at 31 December 2020), and refers to the straight-lining of the amount received from a lessor in 2020 for the costs incurred to fit out the store.

25. Lease liabilities

Below are the changes in lease liabilities occurred in 2021 and 2020, broken down between current and non current.

	Lease liabilities		
(In thousands of Euro)	non current	current	Total
Value at 31.12.2020	85,908	15,792	**101,700**
Additions	25,637		**25,637**
Disposals	(751)		**(751)**
Reclassifications	(14,556)	14,556	**-**
Contribution from Merger	214	147	**361**
Repayment of lease liabilities	-	(14,819)	**(14,819)**
Interest expense on lease liabilities	-	2,918	**2,918**
Interest expense on lease liabilities paid	-	(2,935)	**(2,935)**
Other changes	-	(482)	**(482)**
Value at 31 December 2021	**96,452**	**15,177**	**111,629**

	Lease liabilities		
(In thousands of Euro)	non current	current	Total
Value at 31.12.2019	96,181	17,455	**113,636**
Additions	7,926	-	**7,926**
Disposals	(4,286)	-	**(4,286)**
Reclassifications	(13,913)	13,913	**-**
Repayment of lease liabilities	-	(12,224)	**(12,224)**
Interest expense on lease liabilities	-	3,255	**3,255**
Interest expense on lease liabilities paid	-	(3,359)	**(3,359)**
Other changes		(3,248)	**(3,248)**
Value at 31 December 2020	**85,908**	**15,792**	**101,700**

The average weighted IBR applicable to leases outstanding as at 31 December 2021 was 2.61%. As for the other cash outflows related to leases, see note 34 Costs for services.

26. Trade payables

The breakdown of Trade payables as at 31 December 2021 and 2020 is shown in the following table:

(In thousands of Euro)	31 December 2021	31 December 2020	change 2021 vs 2020
Trade payables to third parties	121,278	80,705	40,573
Invoices to be received	16,187	9,229	6,958
Payables to subsidiaries	12,131	25,525	(13,394)
Total	**149,596**	**115,459**	**34,137**

Trade payables do not bear interest and usually become due after 60/90 days. This item consists of payables relating to the normal commercial activity carried out by the Company, in particular costs for the purchase of raw materials, parts and manufacturing in outsourcing.

For detailed information on trade payables to subsidiaries reference should be made to note 45 Transactions with related parties below.

27. Refund liabilities

Concerning the right of return as per "Revenue from contracts with customers", the line item "Refund Liabilities" (totaling 18,636 thousand Euro) refers to the liability to customers for the amount of the products expected to be returned. This item largely refers to the Group's European companies and is related to Right of return assets (see note 14 Right of return assets).

28. Tax payables

The breakdown of Tax payables as at 31 December 2021 and 2020 is shown in the following table:

(In thousands of Euro)	31 December 2021	31 December 2020	change 2021 vs 2020
Payables for current taxes – IRAP	1,870	-	1,870
Payables for current taxes – IRES	497	-	497
Payables due to tax authorities for VAT	-	171	(171)
Tax payables due to foreign tax authorities for VAT (EU)	249	337	(88)
Tax payables for withholdings applied	2,116	2,231	(115)
Other tax payables	1	15	(14)
Total	**4,733**	**2,754**	**1,979**

The increase in tax payables over 2020 was largely attributable to the recognition of 1,870 thousand Euro in current IRAP tax payables.

Current IRES tax payables refer to the outstanding substitute tax payable to Italian tax authorities, as in 2021 the Company applied for the tax realignment schemes – "standard scheme" for know-how and "special scheme" for goodwill (both items were recognized in 2020 following the acquisition and subsequent merger of Arts S.r.l. and Aura 1 S.r.l.) – to obtain the recognition of said items for tax (IRES and IRAP) purposes.

29. Other current liabilities

The breakdown of Other current liabilities as at 31 December 2021 and 2020 is shown in the following table:

(In thousands of Euro)	31 December 2021	31 December 2020	change 2021 vs 2020
Payables to staff	9,334	3,189	6,145
Payables to social security institutions	3,062	2,807	255
Other payables to third parties	1,574	993	581
Other payables for hedging derivatives	15,206	1,653	13,553
Accrued expenses	242	760	(518)
Deferred income	3,343	1,605	1,738
Total	**32,761**	**11,007**	**21,754**

Payables to staff mainly include the Company's payables to employees for amounts accrued but not yet paid at the reporting date.

The item "payables to social security institutions" refers to payables to social security institutions paid in the month after the reporting period and relating to amounts due to employees.

Other payables to third parties largely include payables due to related parties. For more details, please refer to note 45 Transactions with related parties.

The item "Hedging derivatives" shows the fair value measurement at the end of the year of outstanding derivatives (hedging component) entered into by the Company to manage exchange rate risk. For further details, please refer to note 31 Financial instruments and fair value measurement.

Accrued expenses mainly included the amount accrued as at 31 December 2021 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 i) 250 thousand Euro for the share pertaining to future years of the key money received from Marchon Europe B.V. (US group Marchon), which licenses the Salvatore Ferragamo brand for eyewear products, ii) the contribution for advertising activities relating to the eyewear licensee scheduled for 2022, and iii) royalties billed in 2021 but pertaining to future years under the agreements with the counterparties.

30. Other current financial liabilities

Other current financial liabilities, totaling 513 thousand Euro as at 31 December 2021, included short-term derivatives (40 thousand Euro as at 31 December 2020) and referred to the fair value of derivatives with a negative mark to market at the reporting date. For further details, please refer to note 31 Financial instruments and fair value measurement below.

As at 31 December 2020, "Other current financial payables" included 3,629 thousand Euro owed for the purchase price adjustment, whose payment was deferred to February 2021, relating to the acquisition of Arts S.r.l. and Aura 1 S.r.l. .

31. Financial instruments and fair value measurement

The classification of financial instruments under IFRS 9 involves various items. The following table sets out the book value of outstanding financial instruments, divided by category, compared to the corresponding fair values, as at 31 December 2021 and 31 December 2020.

Classification of financial instruments and presentation of their fair value

Financial assets

	31 December 2021			31 December 2020		
	Book value		Fair Value	Book value		Fair Value
(In thousands of Euro)	Current portion	Non current portion		Current portion	Non current portion	
Financial assets at fair value through profit or loss						
Derivatives – non-hedging component	596		596	288		288
Assets measured at amortized cost						
Receivables due from credit cards	226		226	440		440
Trade receivables	165,077		165,077	144,139		144,139
Receivables for loans due from subsidiaries	98,307		98,307	166,651		166,651
Guarantee deposits		338	338		294	294
Cash and cash equivalents	356,105		356,105	212,453		212,453
Financial assets at fair value through other comprehensive income						
Derivatives – hedging component	326		326	6,878		6,878
Total	**620,637**	**338**	**620,975**	**530,849**	**294**	**531,143**

Financial liabilities

(In thousands of Euro)	31 December 2021			31 December 2020		
	Book value		Fair Value	Book value		Fair Value
	Current portion	Non current portion		Current portion	Non current portion	
Liabilities at amortized cost						
Trade payables and payments on account	149,596		149,596	115,459		115,459
Payables to banks and other lenders	57,162	52,011	109,173	11,428	113,491	124,919
Payables to third parties				3,629		3,629
Lease liabilities	15,177	96,452	n/a*	15,792	85,908	n/a*
Financial liabilities at fair value through profit or loss						
Derivatives – non-hedging component	513		513	40		40
Financial liabilities at fair value through other comprehensive income						
Derivatives – hedging component	15,206		15,206	1,653		1,653
Total	**237,654**	**148,463**	**274,488**	**148,001**	**199,399**	**245,700**

*Under the standard IFRS16, Lease liabilities are not measured at fair value.

The table shows that most outstanding financial assets and liabilities refer to short-term financial items, except for lease liabilities; taking into account their nature, the book value of most of these items is a reasonable approximation of their fair value.
In all other cases, fair value is measured according to methods which can be classified as Level 2 of the hierarchy of data significance levels used in the fair value calculation as defined by IFRS 13.

The Company uses internal valuation models, which are generally used in finance, on the basis of prices supplied by market operators or prices collected on active markets through leading info-providers.
To determine the fair value of derivatives, the Company uses a pricing model based on market interest rate values and exchange rates at the measurement date.
Also for "Guarantee deposits" the book value is a reasonable approximation of the fair value.
There have been no changes in the valuation methods used compared to the previous years or transfers from one Level to another in the hierarchy of assets or liabilities measured at fair value.
The Company calculates non-performance risk, i.e. the risk that one of the parties may not fulfill its contractual obligations due to a possible default before the derivative expires, both in reference to counterparty risk (Credit Value Adjustment: CVA), and to its own risk (Debt Risk Adjustment: DVA), applying it to the market value of the risk-free portfolio. Taking into account the type of derivatives in the portfolio (solely currency forward contracts), the related expiry dates (not over twelve months), and the Company's and counterparties' ratings, these adjustments are immaterial.
In addition, it should be noted that, in compliance with the ISDA Master Agreements and the existing framework agreements relating to derivatives, it is generally possible to offset (through netting) all the outstanding financial assets and liabilities arising from these derivatives.

The following table summarizes the effects on the income statement and shareholders' equity in reference to each category of outstanding financial instruments for the Company in the years 2021 and 2020.

(In thousands of Euro)	31 December 2021	31 December 2020
Net gains/(losses) on financial instruments recognized in profit or loss:		
Financial assets/liabilities held for trading	(16,180)	11,332
Derivatives – hedging component	(332)	8,539
Net gains/(losses) on financial instruments recognized in shareholders' equity:		
Derivatives – hedging component	(15,166)	5,593
Interest income/expense (calculated using the internal rate of return method) accrued on financial assets/liabilities not at FVTPL		
Interest income	1,488	2,581
Interest expense	908	980
Interest expense on lease liabilities	2,918	3,255
Expenses and fees not included in the effective interest rate regarding financial liabilities	*1,296*	*856*
Interest income accrued on financial instruments written-off		
Provisions for impairment on financial assets		
Receivables/loans	375	437

Comments on the main income statement items

For a better understanding of the development in income statement items, reference should also be made to the comments in the Directors' report on operations relating to the comparison between the data for 2021 and 2020.

32. Revenues from contracts with customers

In 2021 and 2020, revenues from contracts with customers totaled 564,003 thousand Euro and 561,058 thousand Euro, respectively. The tables below provide the breakdown by channel and geographical area of the main categories of revenues from contracts with customers.

2021

(In thousands of Euro)	Retail+ e-commerce	Wholesale	Royalties	Other income and services	Total Revenues from contracts with customers
Europe	41,317	125,752	6,473	1,377	174,919
North America	-	124,377	-	6,553	130,930
Asia Pacific	-	193,408	-	5,279	198,687
Japan	-	27,634	-	1,407	29,041
Central and South America	-	29,161	-	1,265	30,426
Total	**41,317**	**500,332**	**6,473**	**15,881**	**564,003**

2020

(In thousands of Euro)	Retail+ e-commerce	Wholesale	Royalties	Other income and services	Total Revenues from contracts with customers
Europe	29,348	133,395	7,112	1,654	171,509
North America	-	127,161	-	5,819	132,980
Asia Pacific	-	177,259	-	5,558	182,817
Japan	-	40,298	-	1,681	41,979
Central and South America	-	30,614	-	1,159	31,773
Total	**29,348**	**508,727**	**7,112**	**15,871**	**561,058**

The Company discloses the disaggregation or revenue using a quali-quantitative approach. The Company recognizes revenue from the sale of goods through both the retail and wholesale channels when control over the asset is transferred to the customer, generally upon delivery; in the case of other income and services, revenue is recognized when the service is rendered to customers.

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

Retail and e-commerce revenues refer mainly to revenues generated by sales in directly operated stores (DOS) in Italy and, to a lesser extent, to sales generated on the Company's e-commerce platform.

Revenues from royalties arise mainly from the licensing of the Salvatore Ferragamo brand with reference to the eyewear product category to the company Marchon Europe B.V.; to the watches product category to the company Vertime B.V. (Timex Group) and the fragrances product category, licensed to the company Inter Parfums Inc starting from October 2021; for more details, see the Directors' report on operations "Significant events occurred during the year" (until 2020, the fragrances license had been granted to the subsidiary Ferragamo Parfums S.p.A., which was merged into Salvatore Ferragamo S.p.A. during 2021). Revenues from royalties are accounted for based on the stage of completion of the licensee's sale.

The item other income and services largely includes the recovery of freight and packaging costs as well as services provided to subsidiaries.

For detailed information on revenues from subsidiaries reference should be made to note 45 Transactions with related parties below.

33. Costs for raw materials, goods and consumables

The breakdown of Costs for raw materials, goods and consumables as at 31 December 2021 and 2020 is shown in the following table:

(In thousands of Euro)	2021	2020	change 2021 vs 2020
Raw materials	119,596	97,877	21,719
Finished products	39,395	37,875	1,520
Packaging	3,476	2,782	694
Other purchases of materials	481	718	(237)
Stationery	244	160	84
Change in inventories of raw materials, accessories and consumables	(13,057)	19,407	(32,464)
Total	**150,135**	**158,819**	**(8,684)**

34. Costs for services

The breakdown of costs for services as at 31 December 2021 and 2020 is shown in the following table:

(In thousands of Euro)	2021	2020	change 2021 vs 2020
Manufacturing in outsourcing	110,847	133,258	(22,411)
Production, general, administrative and sales costs	84,724	65,888	18,836
Costs for the use of third-party assets	6,715	3,482	3,233
Total	**202,286**	**202,628**	**(342)**

As at 31 December 2021, production, general, administrative and sales costs mainly included:

- 30,317 thousand Euro in communication costs (press advertising, public relations, store window display expenses, events and other advertising expenses);
- 21,497 thousand Euro in consultancy costs and fees to third parties (legal, administrative, product, manufacturing process, IT and other minor costs);
- 9,818 thousand Euro in freight and logistics costs;
- 3,912 thousand Euro in costs for services from subsidiaries; for details on these costs reference should be made to note 45 Transactions with related parties below;
- 6,003 thousand Euro in maintenance and utility costs;
- 5,749 thousand Euro in fees paid to Directors, Statutory Auditors and Supervisory Board; for detailed information on these fees reference should be made to note 46 Fees paid to Directors and Statutory Auditors below.

The following table shows the impacts of leases accounted for under IFRS 16 as well as outside the scope of said standard on profit or loss in 2021 and 2020:

(In thousands of Euro)	2021	% of Total	2020	% of Total
Depreciation of right-of-use assets	16,241	82.3%	18,880	95.4%
Net interest expense on lease liabilities	2,870	14.5%	3,159	16.0%
Costs relating to short-term leases	520	2.6%	538	2.7%
Costs relating to low-value leases	370	1.9%	360	1.8%
Costs relating to leases with variable payments not included in the measurement of lease liabilities	219	1.1%	94	0.5%
Lease payment reductions	(482)	(2.4%)	(3,249)	(16.4%)
Total	**19,738**	**100.0%**	**19,782**	**100.0%**

Some of the Company's leases contain variable lease payments linked to the revenues generated by stores (DOS), inside leased premises that are not included in the measurement of leases, in accordance with the accounting standard IFRS 16, and are recognized on an accrual basis. As at 31 December 2021, overall variable lease payments accounted for 1.1% of the total expense recognized in profit or loss associated with leases either included or not in the lease liability as per the accounting standard IFRS 16. Variable lease payments depend on sales, and therefore the Company's performance in subsequent years. The Company estimates that in the future variable lease payments will continue to be proportionate to the sales of finished goods.

To curb the negative impacts of the Covid-19 pandemic, the Company continued benefiting from negotiations that had started in 2020 to revise the terms and conditions of leases for its distribution network and other premises, resulting in a 482 thousand Euro positive variable lease payment (including 299 thousand Euro referring to related parties).

This accounting treatment is consistent with the amendments to IFRS 16 relating to renegotiations resulting from the Covid-19 pandemic. In general, the Company's lease contracts include terms that prohibit subleasing the leased asset, but do not require the Company to comply with financial covenants.

The Company does not have termination options that it intends to exercise but did not consider when measuring the lease liability. With respect to renewal options, under its accounting policy for determining the lease term the Company considered the renewal options it intends to exercise.

The Company reports commitments for short-term leases expected for 2022 in line with those reported in the 2021 income statement.

35. Personnel costs

The breakdown of personnel costs as at 31 December 2021 and 2020 is shown in the following table:

(In thousands of Euro)	2021	2020	change 2021 vs 2020
Salaries and wages	53,537	43,521	10,016
Stock grant plan costs	-	45	(45)
MLT incentive plan costs (reversal of costs)	-	(306)	306
Social security and welfare cost	13,453	12,399	1,054
Allocation of severance indemnities and allocation to complementary pension funds	3,183	3,251	(68)
Total	**70,173**	**58,910**	**11,263**

Personnel costs were sharply up compared to 2020 because of the decline in benefits and subsidies received during 2021 compared to the prior year.

36. Amortization, depreciation and write-downs

The breakdown of Amortization, depreciation and write-downs as at 31 December 2021 and 2020 is shown in the following table:

(In thousands of Euro)	2021	2020	change 2021 vs 2020
Depreciation of tangible assets	11,811	12,921	(1,110)
Depreciation of right-of-use assets	16,177	18,880	(2,703)
Amortization of intangible assets	12,218	12,336	(118)
Write-downs of tangible assets	-	172	(172)
Total	**40,206**	**44,309**	**(4,103)**

37. Other operating costs

(In thousands of Euro)	2021	2020	change 2021 vs 2020
EBIT Adjustment to subsidiaries	29,889	125,925	(96,036)
Allocations to the provisions for other operating risks	665	1,236	(571)
Donations	1,235	1,472	(237)
Provision for bad debt – third parties	-	437	(437)
Provision for bad debt – subsidiaries	375	-	375
Taxes and charges	1,035	768	267
Membership fees	361	441	(80)
Other operating costs	989	634	355
Windfall losses	345	220	125
Total other operating costs	**34,894**	**131,133**	**(96,239)**

As at 31 December 2021, "Other operating costs" amounted to 34,894 thousand Euro and mainly included:

- 29,889 thousand Euro in costs for Ebit Adjustments to subsidiaries, attributable to the fifth-year impact of the International standard ruling on transfer pricing signed on 28 July 2017 with the Italian Inland Revenue Office – Central Assessment Department – International Ruling Office. Such implementation is in line with the guidance issued by the OECD on 18 December 2020 on the transfer pricing implications of the Covid-19 health emergency. For more details, see note 45 Transactions with related parties below;
- 1,235 thousand Euro in donations, including 500 thousand Euro in donations made in 2021 to support cultural activities - the so-called "Art Bonus" - and the 500 thousand Euro donation to the Foundation of the Anna Meyer Children's Hospital Onlus;
- 665 thousand Euro in allocations to the provision for risks and charges.

38. Other income and revenues

(In thousands of Euro)	2021	2020	change 2021 vs 2020
Recovery of expenses from subsidiaries	1,538	1,532	6
Income from EBIT Adjustments from subsidiaries	1,956	-	1,956
Advertising contributions	4,449	1,763	2,686
Revenues from Tax Credits	3,230	2,460	770
Grants received for improvements-straight-lining	50	29	21
Other income and revenues	1,216	1,810	(594)
Uses of the Provision for Risks and Charges and Provision for Bad Debt	2,746	991	1,755
Insurance Refunds	485	490	(5)
Revenues from museum exhibitions	39	30	9
Total Other income and revenues	**15,709**	**9,105**	**6,604**

As at 31 December 2021, “Other income and revenues” amounted to 15,709 thousand Euro and mainly included:

- 4,449 thousand Euro in advertising contributions from third parties;
- 1,538 thousand Euro in recovery of expenses from subsidiaries;
- 1,956 thousand Euro in income from EBIT Adjustments from subsidiaries. For more details, see note 45 “Transactions with related parties” below.
- 3,230 thousand Euro in revenues deriving from the recognition of tax credits (including the recognition of estimated Research and Development expenditure, the tax credit for non-residential property lease payments, and the tax credit amounting to 65% of donations in support of cultural activities - so-called “Art Bonus” made during the year);
- 2,746 thousand Euro in reversals and uses of the provision for bad debt and the provisions for risks and charges;
- 485 thousand Euro in insurance refunds.

39. Financial charges

The breakdown of Financial charges as at 31 December 2021 and 2020 is shown in the following table:

(In thousands of Euro)	2021	2020	change 2021 vs 2020
Financial charges for fair value adjustment of derivatives	19,538	15,142	4,396
Write-down of investments	10,837	46,158	(35,321)
Losses on exchange rate differences	7,236	37,105	(29,869)
Interest expense on lease liabilities	2,917	3,255	(338)
Other financial charges	1,503	1,021	482
Financial charges on employee benefits under IAS 19	-	30	(30)
Expenses on lease liabilities	-	6	(6)
Interest expense	891	980	(89)
Total	**42,922**	**103,697**	**(60,775)**

Interest expense on lease liabilities has been recognized starting from 1 January 2019 following the introduction of the accounting standard IFRS16 and amounted to 2,917 thousand Euro as at 31 December 2021.

For more details on the Write-downs of investments as at 31 December 2021, see note 10 Investments in subsidiaries.

40. Financial income

The breakdown of Financial income as at 31 December 2021 and 2020 is shown in the following table:

(In thousands of Euro)	2021	2020	change 2021 vs 2020
Financial income for fair value adjustment of derivatives	3,358	26,474	(23,116)
Dividends from investments in subsidiaries	10,564	49,365	(38,801)
Financial income from lease liabilities	47	102	(55)
Gains on exchange rate differences	18,422	12,602	5,820
Interest income	183	773	(590)
Interest income from subsidiaries	1,295	1,808	(513)
Financial income on employee benefits under IAS 19	10	-	10
Total	**33,879**	**91,124**	**(57,245)**

The item dividends from investments in subsidiaries included the dividends paid by the subsidiary Ferragamo Hong Kong Ltd.

41. Income Taxes

The breakdown of Income taxes as at 31 December 2021 and 2020 is shown in the following table:

(In thousands of Euro)	2021	2020	change 2021 vs 2020
Current taxes	(5,304)	(34)	(5,270)
Deferred taxes	(6,179)	16,310	(22,489)
Use of/(Allocation) to the provision for risks for taxes from previous years	-	26	(26)
Taxes from previous years	-	1,328	(1,328)
Total income taxes	**(11,483)**	**17,630**	**(29,113)**

The 51,152 thousand Euro profit before taxes caused the Company to recognize 11,483 thousand Euro in taxes (with a 22.4% tax rate), whereas in 2020 the Company had posted a 51,700 thousand Euro loss before taxes, recognizing 17,630 thousand Euro in positive taxes, mainly because of the recognition of 11,080 thousand Euro in deferred tax assets on tax losses.

In the first half of 2021 the Company applied for the tax realignment schemes – "standard scheme" for know-how and "special scheme" for goodwill (both items were recognized in 2020 following the acquisition and subsequent merger of Arts S.r.l. and Aura 1 S.r.l.) – to obtain the recognition of said items for tax (IRES and IRAP) purposes. This caused the company to recognize a 1,778 thousand Euro substitute tax under current taxes and a 3,477 thousand Euro deferred tax asset in 2021.

Please note that in 2020 the Company had notified the Inland Revenue Office that it would withdraw its application for an extension of the benefit known as "Patent box", thus intending to enter into the "Patent Box" self-assessment regime and assess the amount of the benefit on its own. No reduction in direct tax expense was expected for 2020, as the Company had reported a tax loss for the year, whereas in 2021, following regulatory changes, the Company did not consider said benefit when calculating its tax expense, as it will be able to determine the amount of the benefit only after conducting a thorough analysis of eligible costs and the required documentation.

In 2020, the item Taxes from previous years, totaling 1,328 thousand Euro, largely referred to the greater Patent Box benefit for 2015 as a result of the restatement of taxable income assessed and agreed under the settlement entered into in November 2019 with the Inland Revenue Office, which required the Company to file a supplementary tax return for the year 2015.

(In thousands of Euro)	2021	2020	change 2021 vs 2020
Current taxes			
IRES	(2,115)	(34)	(2,081)
IRAP	(3,189)	-	(3,189)
Total	**(5,304)**	**(34)**	**(5,270)**
Deferred taxes:			
- IRES deferred in current year	783	16,789	(16,006)
- IRAP deferred in current year	124	11	113
-Use of IRES deferred in previous years	(7,357)	(494)	(6,863)
-Use of IRAP deferred in previous years	271	4	267
Total	**(6,179)**	**16,310**	**(22,489)**
Taxes from previous years	**-**	**1,328**	**(1,328)**
Use of/(Allocation) to the provision for risks for taxes from previous years	**-**	**26**	**(26)**
Total income taxes	**(11,483)**	**17,630**	**(29,113)**

Deferred tax assets and liabilities

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

(In thousands of Euro)	2021	2020	2021	2020	2021	2020
	Statement of financial position		Other Comprehensive Income		Income statement	
Deferred tax assets						
- on employee benefits	512	591	509	539	(21)	(8)
- on tangible assets	1,161	1,154	-	-	6	43
- on the cash flow hedge reserve	2,024		2,022		-	-
- on the valuation of inventories	6,026	7,020	-	-	(994)	1,590
- on tax losses	9,017	11,080	-	-	(3,336)	11,080
- on receivables	335	492	-	-	(157)	-
- on taxed provisions	438	635	-	-	(197)	209
- for other temporary differences	3,789	5,901	-	-	(3,093)	3,230
Deferred tax assets	**23,302**	**26,873**	**2,531**	**539**	**(7,792)**	**16,144**
Deferred tax liabilities						
- on the cash flow hedge reserve		(1,616)	-	(1,618)	-	-
- on goodwill and fixed assets	-	(1,613)	-	-	1,613	166
- for other temporary differences	(2,898)	(2,898)	-	-	-	-
Deferred tax liabilities	**(2,898)**	**(6,127)**	**-**	**(1,618)**	**1,613**	**166**
Net effect	**20,404**	**20,746**	**2,531**	**(1,079)**	**(6,179)**	**16,310**

Deferred taxes reflect the net tax effect of temporary differences between the book value and the taxable amount of assets and liabilities.

The accounting of deferred tax assets was duly adjusted to account for the actual possibility that they will be realized; specifically, deferred taxes included the recognition of deferred tax assets on tax losses totaling 9,017 thousand Euro, recognized in 2020 at 11,080 thousand Euro (after assessing the actual probability that future taxable profit will be available against which they can be utilized), of which 3,336 thousand Euro was utilized in 2021, in addition to deferred tax assets on tax losses acquired from Ferragamo Parfums S.p.A. (totaling 1,273 thousand Euro).

The reconciliation between the theoretical tax charge and the effective tax charge as at 31 December 2021 and 2020 is as follows:

(In thousands of Euro)	2021	%	2020	%
IRES				
Profit before taxes from continuing operations	51,152		(51,700)	
Profit before taxes reported in the statement of discontinued operations	(6,708)		-	
Profit before taxes	**44,444**		**(51,700)**	
Theoretical taxes	10,667	24%	(12,408)	24.0%
Actual taxes	8,851	19.9%	(17,360)	33.6%
of which Income taxes reported in the statement of profit/(loss) for the year	8,689	19.6%	(17,360)	33.6%
of which Income taxes reported in the statement of discontinued operations	162	0.4%	-	-
Difference due to:	**(1,816)**	**(4.1%)**	**(4,952)**	**(9.2%)**
i) Effect of pass-through mechanism of taxation of income of foreign companies resident in countries/territories with a privileged tax regime	(11)	(0.0%)	34	(0.1%)
ii) Effect of goodwill and know how tax realignment	(1,461)	(3.3%)	-	-
iii) Effect of previous years income taxes	-	-	(1,073)	2.1%
iv) Effect of allocation to/(use of) the provision for risks and charges for taxes from previous years	-	-	(26)	0.1%
v) Other effects	784	1.8%	-	-
Increases				
Write-downs of investments	2,601	5.9%	11,078	(21.4%)
Other permanent differences	2,820	6.3%	981	(1.9%)
Decreases				
Income from subsidiaries (dividends)	(2,408)	(5.4%)	(11,848)	22.9%
IRAP deduction	-	-	(57)	0.1%
Tax Credits Impact	(775)	(1.7%)	(311)	0.6%
Other permanent differences	(3,366)	(7.6%)	(3,730)	7.2%
Total difference	**(1,816)**	**(4.1%)**	**(4,952)**	**9.6%**

(In thousands of Euro)	2021	%	2020	%
IRAP				
Net value of production	**53,542**		**(39,127)**	
Theoretical taxes	2,088	3.9%	(1,526)	3.9%
Actual taxes	2,794	5.2%	(270)	0.7%
Difference due to:	**706**	**1.3%**	**1,256**	**(3.2%)**
i) Effect of increases in regional IRAP rates	29	0.1%	-	-
ii) Effects from non-registration of deferred taxes	-	-	1,440	(3.7%)
iii) Effect of previous years income taxes	-	-	(255)	0.7%
iv) Effect of goodwill and know how tax realignment	(237)	(0.4%)		
Increases				
Personnel costs	2,791	5.2%	2,283	(5.8%)
Other permanent differences	658	1.2%	165	(0.4%)
Decreases				
Tax wedge	(2,361)	(4.4%)	(2,246)	5.7%
Tax Credits Impact	(125)	(0.2%)	(51)	0.1%
Other permanent differences	(49)	(0.1%)	(80)	0.2%
Total difference	**706**	**1.3%**	**1,256**	**(3.2%)**

Other information

42. Dividends

Pursuant to the resolution passed by the Shareholders' Meeting held on 22 April 2021, the Parent Company Salvatore Ferragamo S.p.A. fully covered the 34,070,066 Euro loss for the year 2020 by drawing an equivalent amount from the Extraordinary Reserve.

43. Share-based payments

The Group did not have any share-based incentive plans in place during 2021.

As previously discussed, on 14 December 2021 the ordinary Shareholders' Meeting of Salvatore Ferragamo S.p.A. approved the "Special Award 2022-2026" medium/long-term incentive plan and the "Restricted Shares" incentive plan, under which, upon satisfying specific conditions, shares in Salvatore Ferragamo S.p.A. are to be awarded to the Managing Director and General Manager as well as any additional top managers and managers as the Ferragamo Group's Board of Directors may identify in the future. The plans became effective in 2022.

For further details, reference should be made to the Directors' report on operations, paragraph "Significant events occurred during the year", as well as the information documents associated with said Plans, available on the Company's website in the section Investor Relations/ Governance/Corporate governance/remuneration:

(https://group.ferragamo.com/en/governance/corporate-governance/remuneration/stock-incentive-plans).

44. 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.

45. Transactions with related parties

The following table shows the transactions with related parties for the years ended 31 December 2021 and 2020; in particular, the following table shows the overall values of transactions with related parties, excluding transactions with subsidiaries, as detailed below in this paragraph:

31 December 2021

(In thousands of Euro)	Revenues	Operating costs (net of other income)	Financial charges	Right-of-use assets	Trade receivables	Other assets	Trade payables	Other current liabilities	Lease liabilities
Holding company:									
Ferragamo Finanziaria S.p.A. (company which exercises management and coordination on Salvatore Ferragamo S.p.A.)	36	(76)	(23)	593	14	2,567	-	-	(622)
Related companies									
Palazzo Feroni Finanziaria S.p.A.	30	(5,900)	(1,535)	48,313	1	70	(78)	-	(51,066)
Lungarno Alberghi S.r.l.	51	(1,935)	(675)	17,185	8	-	(4)	-	(18,888)
Ferragamo Foundation	2	(170)	-	-	-	-	(50)	-	-
Companies connected to members of the Board of Directors									
Dal Borro S.r.l.	-	(14)	-	-	-	-	(4)	-	-
Bacco S.r.l.	-	(3)	-	5	-	-	-	-	(6)
Baia di Scarlino S.r.l.	2	-	-	-	3	-	-	-	-
Caretti & Associati S.r.l.	-	(50)	-	-	-	-	-	-	-
Castiglion del Bosco S.a.r.l.	7	(9)	-	-	-	-	(3)	-	-
Castiglion del Bosco Hotel S.r.l.	9	-	-	-	-	-	-	-	-
Il Borro S.r.l. Società agricola	6	(1)	-	-	5	-	(1)	-	-
Rubino S.r.l.	-	-	-	-	-	2	-	-	-
Nautor Swan S.r.l.	-	(17)	-	-	-	-	-	-	-
Osteria del Borro S.r.l.	4	-	-	-	-	-	-	-	-
Windows on Italy S.r.l.	-	(4)	-	-	-	-	(4)	-	-
Prisma Property Investment Management S.r.l.	1	-	-	-	-	-	-	-	-
Vivia di Vivia Ferragamo & C. SAS	-	(179)	-	-	-	-	(20)	-	-
Other related parties									
Riccardo Ferragamo	-	(30)	-	-	-	-	-	(2)	-
Federica Anichini	-	(49)	-	-	-	-	-	-	-
Angiolo Anichini	-	(271)	-	-	-	-	-	(75)	-
Giuseppe Anichini	-	(5)	-	-	-	-	-	-	-
Directors, Statutory Auditors and Managers with strategic responsibilities									
Directors, Statutory Auditors and Managers with strategic responsibilities	-	(7,372)	-	-	-	-	-	(1,792)	-
Total	**148**	**(16,085)**	**(2,233)**	**66,096**	**31**	**2,639**	**(164)**	**(1,869)**	**(70,582)**
Company's total	**564,003**	**(503,808)**	**(42,922)**	**104,744**	**165,077**	**7,339**	**(149,596)**	**(32,761)**	**(111,629)**
% ratio	**0.0%**	**3.2%**	**5.2%**	**63.1%**	**0.0%**	**36.0%**	**0.1%**	**5.7%**	**63.2%**

31 December 2020

(In thousands of Euro)	Revenues	Operating costs (net of other income)	Financial charges	Right-of-use assets	Trade receivables	Other assets	Trade payables	Other current liabilities	Lease liabilities
Holding company:									
Ferragamo Finanziaria S.p.A. (company which exercises management and coordination on Salvatore Ferragamo S.p.A.)	-	(81)	(25)	668	-	2,689	-	-	(690)
Related companies									
Palazzo Feroni Finanziaria S.p.A.	30	(6,370)	(1,603)	42,969	2	70	(133)	-	(45,426)
Lungarno Alberghi S.r.l.	6	(1,783)	(728)	18,805	-	-	(1)	-	(20,255)
Ferragamo Foundation	2	(170)	-	-	-	-	(50)	-	-
Companies connected to members of the Board of Directors									
Arpa S.r.l.	-	(13)	-	-	2	-	(10)	-	-
Bacco S.r.l.	-	(3)	-	8	-	-	-	-	(8)
Caretti & Associati S.r.l.	-	(202)	-	-	-	-	-	-	-
Castiglion del Bosco S.a.r.l.	-	(14)	-	-	-	-	(10)	-	-
Il Borro S.r.l. Società agricola	-	2	-	-	3	-	-	-	-
The European House Ambrosetti S.p.A.	-	(12)	-	-	-	-	(8)	-	-
Vivia di Vivia Ferragamo & C. SAS	-	(44)	-	-	-	-	(14)	-	-
Other related parties									
Riccardo Ferragamo	-	(17)	-	-	-	-	-	-	-
Vivia Ferragamo	-	(50)	-	-	-	-	-	-	-
Directors, Statutory Auditors and Managers with strategic responsibilities									
Directors, Statutory Auditors and Managers with strategic responsibilities	-	(3,503)	-	-	-	-	-	(1,346)	-
Total	**38**	**(12,260)**	**(2,356)**	**62,450**	**7**	**2,759**	**(226)**	**(1,346)**	**(66,379)**
Company's total	**561,058**	**(600,186)**	**(103,697)**	**95,735**	**144,139**	**14,771**	**(115,459)**	**(11,007)**	**(101,700)**
% ratio	**0.0%**	**2.0%**	**2.3%**	**65.2%**	**0.0%**	**18.7%**	**0.2%**	**12.2%**	**65.3%**

Sales and purchases between related parties are carried out at normal market prices. The outstanding balances at the end of the period are not backed by guarantees, do not generate interest, and are settled in cash. Bank guarantees were issued in favor of Palazzo Feroni Finanziaria S.p.A. (1,683 thousand Euro), in favor of Lungarno Alberghi S.r.l. (488 thousand Euro), and in favor of Ferragamo Finanziaria S.p.A. (23 thousand Euro): they concerned the leasing of properties owned by said companies. There are no other guarantees, given or received, relating to receivables and payables with related parties. The Company did not make any allocations to the provision for bad debt with respect to the amounts due from related parties. Please note that in 2017 the Company recognized a provision for bad debt with respect to the receivables due from the subsidiary Ferragamo Retail India Private Limited, amounting to 5,311 thousand Euro as at 31 December 2021. For additional details, please refer to note 15 Trade receivables.

Specifically:

Holding company

Ferragamo Finanziaria S.p.A.

Under the domestic fiscal unity in which Salvatore Ferragamo S.p.A. participates together with Ferragamo Finanziaria S.p.A. (consolidating entity), other current assets included 2,567 thousand Euro referring to the net IRES credit to date (first payment on account made in 2020 net of the payable for 2021) and the greater Patent Box benefit resulting from the restatement of taxable income assessed and agreed under the settlement entered into, which required the Company to file a supplementary tax return for the year 2015, reducing the IRES tax expense under the domestic fiscal unity by 1,089 thousand Euro. This amount was recognized in 2020.

Salvatore Ferragamo S.p.A. has one outstanding lease contract with Ferragamo Finanziaria S.p.A. concerning the lease of an industrial shed adjacent to the Osmannoro facility, which the Parent company converted into a design and prototyping laboratory for the development of leather goods. Since it falls within the scope of IFRS 16, the lease was accounted for by recognizing a right-of-use asset, depreciated over the lease term, and a corresponding lease liability.

Related companies

These transactions mainly refer to trade transactions that affected revenues, operating costs, and trade receivables and payables. They include mainly:

- sale of products;
- leases; if they fall within the scope of IFRS 16, they are accounted for accordingly (i.e. by recognizing right-of-use assets, lease liabilities, depreciation expense, and financial charges), otherwise lease payments are recognized through profit or loss on a straight-line basis over the lease term and the relevant payables are included in Trade payables;
- rendering of services.

In particular, the following transactions should be noted:

Palazzo Feroni Finanziaria S.p.A.

Revenues and the relevant receivables largely refer to IT and administrative services.
Right-of-use assets and lease liabilities, operating costs net of the reduction in lease payments (granted because of the Covid-19 pandemic once again in 2021), and finance expense largely refer to leases for the headquarters in Florence and some stores of the Italian chain, which mostly fall within the scope of IFRS 16. Other assets refer to the relevant guarantee deposits.

Lungarno Alberghi S.r.l.

Revenues refer to product sales; right-of-use assets, lease liabilities, operating costs, and interest expense largely refer to the lease of a space used as a store of the Italian retail chain, which falls within the scope of IFRS 16.

Ferragamo Foundation

The costs (and the related accounts payable balances) incurred refer for 100 thousand Euro to the services provided for the management of the Salvatore Ferragamo historical archive (100 thousand Euro in 2020) and for 70 thousand Euro to donations to support the institutional activities of the Foundation (70 thousand Euro in 2020).

Companies connected to members of the Board of Directors

These transactions mainly refer to trade transactions that affected revenues, operating costs, and trade receivables and payables. They include mainly:

- sale of products;
- leases; if they fall within the scope of IFRS 16, they are accounted for accordingly (i.e. by recognizing right-of-use assets, lease liabilities, depreciation expense, and financial charges), otherwise lease payments are recognized through profit or loss on a straight-line basis over the lease term and the relevant payables are included in Trade payables;
- rendering of services.

Other related parties

With respect to the other related parties, costs, and the relevant payables, refer to the cost incurred by the Company under the working relationship in place during 2021.

Directors, Statutory Auditors and Managers with strategic responsibilities

For information on Directors and Statutory Auditors, please refer to note 46 Fees paid to Directors and Statutory Auditors.

The Managers with strategic responsibilities are listed in the following table:

Full name	Role
Giacomo Ferragamo*	Brand & Product and Communication Manager and Director
Alessandro Corsi	Chief Financial Officer and Manager charged with preparing Company's Financial Reports

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

The costs associated with the managers with strategic responsibilities referred to the cost incurred by the Group as part of the employment relationship. In 2021, they amounted to 1,272 thousand Euro (compared to 721 thousand Euro in 2020, including 29 thousand Euro related to the imputed cost of the 2016-2020 Stock Grant Plan, which came to an end in 2020 without granting any shares in Salvatore Ferragamo S.p.A.). Typically, the managers with strategic responsibilities receive non-monetary benefits such as cars, mobile phones, and insurance policies.

Intragroup transactions

The following tables show the overall values, in thousands of Euro, of transactions with subsidiaries (including any transactions arising from the discontinued operation in 2021):

Company	Trade receivables		Other current financial assets		Trade payables	
	2021	2020	2021	2020	2021	2020
Ferragamo Deutschland GmbH	1,231	912	-	3,200	1,251	80
Ferragamo France S.A.S.	2,174	859	-	-	6,861	701
Ferragamo (Suisse) S.A.	349	270	2,517	3,796	289	332
Ferragamo Monte-Carlo S.A.M.	0	142	1,000	600	130	-
Ferragamo Belgique S.A.	304	290	-	300	76	70
Ferragamo Espana S.L.	1,704	857	-	5,300	3	4,378
Ferragamo U.K. Limited	637	638	1,666	4,227	704	181
Ferragamo Austria Gmbh	414	104	-	-	175	31
Ferragamo Parfums S.p.A.	-	1,124	-	14,000	-	131
Ferragamo Retail Nederland BV	800	313	1,400	1,400	182	260
Total Europe	**7,613**	**5,509**	**6,583**	**32,823**	**9,671**	**6,164**
Ferragamo Hong Kong Ltd.	30,538	27,908	-	-	383	57
Ferragamo Retail Hong Kong Ltd.	-	86	-	-	-	-
Ferragamo Australia Pty Ltd.	1,408	1,997	-	-	156	145
Ferragamo Japan KK	4,319	4,870	49,854	39,528	225	379
Ferragamo Moda (Shanghai) Co. Ltd.	38	93	-	-	-	-
Ferragamo Retail India Private Limited	-	-	-	-	77	28
Ferragamo Retail Taiwan Limited	17	65	-	-	-	-
Ferragamo Retail Macau Limited	5	21	-	-	-	-
Ferragamo Fashion Trading (Shanghai) Co. Ltd	270	493	-	-	98	-
Ferragamo Korea Ltd	13,890	8,780	-	-	497	379
Ferragamo (Singapore) PTE LTD	108	103	32,725	25,897	1	-
Ferragamo Thailand Limited	96	100	7,755	7,406	-	-
Ferragamo (Malaysia) SDN BHD	8	15	-	-	1	-
Total Asia Pacific	**50,697**	**44,531**	**90,334**	**72,831**	**1,438**	**988**
Ferragamo Usa Inc. Group	52,109	34,881	1,390	60,997	847	15,388
Total North America	**52,109**	**34,881**	**1,390**	**60,997**	**847**	**15,388**
Ferragamo Mexico S. de R.L. de C.V.	12,375	21,697	-	-	176	2,746
Ferragamo Chile S.A.	3,131	2,447	-	-	-	-
Ferragamo Argentina S.A.	1,639	1,301	-	-	-	-
Ferragamo Brasil Roupas & Acessorios Ltda	3,551	1,813	-	-	-	239
Total Central and South America	**20,696**	**27,258**	**-**	**-**	**176**	**2,985**
Total	**131,115**	**112,179**	**98,307**	**166,651**	**12,132**	**25,525**

Company	Revenues from sales		Revenues from services (including royalties)		Other income and revenues		Financial income		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Ferragamo Deutschland GmbH	1,229	2,436	62	117	46	25	8	19	1,345	2,597
Ferragamo France S.A.S.	4,082	3,585	116	169	31	34	-	16	4,229	3,804
Ferragamo (Suisse) S.A.	3,658	2,764	66	52	11	8	7	11	3,742	2,835
Ferragamo Monte-Carlo S.A.M.	(157)	168	29	22	5	2	2	1	(121)	193
Ferragamo Belgique S.A.	853	911	35	23	6	2	1	1	895	937
Ferragamo Espana S.L.	3,294	2,515	77	101	23	17	6	17	3,400	2,650
Ferragamo U.K. Limited	5,505	7,317	98	161	33	26	72	89	5,708	7,593
Ferragamo Austria Gmbh	702	1,427	38	30	6	4	-	-	746	1,461
Ferragamo Parfums S.p.A.	-	63	-	1,676	-	190	-	-	-	1,929
Ferragamo Retail Nederland BV	1,853	1,587	42	46	7	20	4	4	1,906	1,657
Total Europe	**21,019**	**22,773**	**563**	**2,397**	**168**	**328**	**100**	**158**	**21,850**	**25,656**
Ferragamo Hong Kong Ltd.	149,501	123,495	528	410	331	260	10,563	49,365	160,923	173,530
Ferragamo Retail Hong Kong Ltd.	-	-	49	64	23	22	-	-	72	86
Ferragamo Australia Pty Ltd.	5,108	6,045	367	430	47	50	-	7	5,522	6,532
Ferragamo Japan KK	26,824	36,692	977	1,081	116	160	204	179	28,121	38,112
Ferragamo Moda (Shanghai) Co. Ltd.	-	-	51	67	43	32	-	-	94	99
Ferragamo Retail India Private Limited	-	-	-	-	-	-	-	-	-	-
Ferragamo Retail Taiwan Limited	-	-	40	45	19	20	-	-	59	65
Ferragamo Retail Macau Limited	-	-	10	15	6	6	-	-	16	21
Ferragamo Fashion Trading (Shanghai) Co. Ltd	-	-	289	399	156	105	-	-	445	504
Ferragamo Korea Ltd	43,343	48,143	570	587	1,946	182	-	-	45,859	48,912
Ferragamo (Singapore) PTE LTD	-	-	23	52	32	34	346	373	401	459
Ferragamo Thailand Limited	-	-	11	21	15	15	121	129	147	165
Ferragamo (Malaysia) SDN BHD	-	-	17	26	16	17	-	-	33	43
Total Asia Pacific	**224,776**	**214,375**	**2,932**	**3,197**	**2,750**	**903**	**11,234**	**50,053**	**241,692**	**268,528**
Ferragamo Usa Inc. Group	124,358	123,862	5,690	5,593	398	279	524	963	130,970	130,697
Total North America	**124,358**	**123,862**	**5,690**	**5,593**	**398**	**279**	**524**	**963**	**130,970**	**130,697**
Ferragamo Mexico S. de R.L. de C.V.	20,867	23,607	517	510	194	17	-	-	21,578	24,134
Ferragamo Chile S.A.	683	266	-	-	-	-	-	-	683	266
Ferragamo Argentina S.A.	708	334	-	-	-	-	-	-	708	334
Ferragamo Brasil Roupas & Acessorios Ltda	2,017	1,711	-	-	4	5	-	-	2,021	1,716
Total Central and South America	**24,275**	**25,918**	**517**	**510**	**198**	**22**	**-**	**-**	**24,990**	**26,450**
Total	**394,428**	**386,928**	**9,702**	**11,697**	**3,514**	**1,532**	**11,858**	**51,174**	**419,502**	**451,331**

Company	Purchases of finished products, raw materials, accessories and consumables		Costs for services		Other operating costs		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Ferragamo Deutschland GmbH	68	71	2	-	3,660	4,697	3,730	4,768
Ferragamo France S.A.S.	77	60	88	94	6,775	14,381	6,940	14,535
Ferragamo (Suisse) S.A.	12	12	1	-	2,594	2,561	2,607	2,573
Ferragamo Monte-Carlo S.A.M.	6	5	-	-	-	-	6	5
Ferragamo Belgique S.A.	6	9	-	-	613	480	619	489
Ferragamo Espana S.L.	31	56	1	-	1,726	8,111	1,758	8,167
Ferragamo U.K. Limited	41	64	4	3	6,707	7,610	6,752	7,677
Ferragamo Austria Gmbh	13	14	-	-	811	851	824	865
Ferragamo Parfums S.p.A.	-	107	-	172	-	-	-	279
Ferragamo Retail Nederland BV	18	26	1	208	1,261	1,585	1,280	1,819
Total Europe	**272**	**424**	**97**	**477**	**24,147**	**40,276**	**24,516**	**41,177**
Ferragamo Hong Kong Ltd.	-	-	1,120	179	-	-	1,120	179
Ferragamo Retail Hong Kong Ltd.	-	-	-	-	-	-	-	-
Ferragamo Australia Pty Ltd.	-	-	233	239	4,988	4,828	5,221	5,067
Ferragamo Japan KK	-	-	606	671	-	-	606	671
Ferragamo Moda (Shanghai) Co. Ltd.	-	-	-	-	-	-	-	-
Ferragamo Retail India Private Limited	-	-	443	129	-	-	443	129
Ferragamo Retail Taiwan Limited	-	-	-	-	-	-	-	-
Ferragamo Retail Macau Limited	-	-	-	-	-	-	-	-
Ferragamo Fashion Trading (Shanghai) Co. Ltd	-	-	748	-	-	-	748	-
Ferragamo Korea Ltd	-	-	510	386	-	-	510	386
Ferragamo (Singapore) PTE LTD	-	-	25	-	-	-	25	-
Ferragamo Thailand Limited	-	-	-	-	-	-	-	-
Ferragamo (Malaysia) SDN BHD	-	-	1	-	-	-	1	-
Total Asia Pacific	**-**	**-**	**3,686**	**1,604**	**4,988**	**4,828**	**8,674**	**6,432**
Ferragamo Usa Inc. Group	-	-	1,342	1,018	754	72,879	2,096	73,897
Total North America	**-**	**-**	**1,342**	**1,018**	**754**	**72,879**	**2,096**	**73,897**
Ferragamo Mexico S. de R.L. de C.V.	-	-	630	800	-	6,363	630	7,163
Ferragamo Chile S.A.	-	-	-	-	-	-	-	-
Ferragamo Argentina S.A.	-	-	-	-	-	-	-	-
Ferragamo Brasil Roupas & Acessorios Ltda	-	-	1	-	-	1,579	1	1,579
Total Central and South America	**-**	**-**	**631**	**800**	**-**	**7,942**	**631**	**8,742**
Total	**272**	**424**	**5,756**	**3,899**	**29,889**	**125,925**	**35,917**	**130,248**

46. Fees paid to Directors and Statutory Auditors

Directors

Full name (In thousands of Euro)	**Position held**	**Term of office**	**End of term of office**	**Fees** for the position held	**Fees** as committee members	**Non-monetary benefits**	**Salaries, bonuses and other incentives**	**Other fees***	**Total**
Leonardo Ferragamo	Chair	1.01-31.12	a)	288	-		-	-	288
Angelica Visconti	Deputy Chair	1.01-31.12	a)	45	5	b) c) d) e)	305	-	355
Michele Norsa	Executive Deputy Chair	1.01-31.12		1,010	-	b) c) d)	-	977	1,987
Micaela Le Divelec Lemmi	Managing Director	1.01-07.09		2,598	-	b) c) d)	-	(40)	2,558
Giacomo Ferragamo	Director	22.04-31.12	a)	35	-	b) c) d)	712	-	747
Peter Woo Kwong Ching	Director	1.01-31.12	a)	-	-		-	-	-
Patrizia Michela Giangualano	Director	22.04-31.12	a)	35	21		-	-	56
Anna Zanardi Cappon	Director	22.04-31.12	a)	35	31		-	-	66
Annalisa Loustau Elia	Director	29.09-31.12	a)	13	5		-	-	18
Frédéric Biousse	Director	29.09-31.12	a)	13	-		-	-	13
Umberto Tombari	Director	1.01-31.12	a)	45	41		-	-	86
Ferruccio Ferragamo	Chair	1.01-22.04		127	-	b) c) d)	-	-	127
Giovanna Ferragamo	Director	1.01-22.04		61	-		45	-	106
Diego Paternò Castello di San Giuliano	Director	1.01-22.04		11	5		-	-	16
Francesco Caretti	Director	1.01-22.04		87	-		-	-	87
Marzio Alessandro Alberto Saà	Director	1.01-22.04		11	12		-	-	23
Chiara Ambrosetti	Director	1.01-22.04		11	11		-	-	22
Lidia Fiori	Director	1.01-22.04		11	11		-	-	22
Marinella Soldi	Director	22.04-27.07		13	7		-	-	20
Total				**4,449**	**149**		**1,062**	**937**	**6,597**

a) upon approval of the 2023 financial statements
b) car; c) mobile phone; d) insurance policies; e) accommodation.
* Fees reported net of any potential adjustment to fees referring to previous years.

Statutory Auditors

Full name (In thousands of Euro)	Position held	Term of office	End of term of office	Fees for the position held	Other fees*	Other fees received from subsidiaries	Grand total
Andrea Balelli	Chair	1.01-31.12	a)	64	15	-	79
Giovanni Crostarosa Guicciardi	Acting Statutory Auditor	1.01-31.12	a)	48	12	-	60
Paola Caramella	Acting Statutory Auditor	1.01-31.12	a)	48	12	-	60
Total				**160**	**39**	**-**	**199**

a) upon approval of the 2022 financial statements
* Other fees refer to amounts due for the position as Chair or member of the Supervisory Board pursuant to Italian Leg. Decree 231/2001
Please note that the members of the Board of Statutory Auditors have not received other fees from Group companies.

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

47. Commitments and risks

The breakdown of the risks and commitments is as follows:

(In thousands of Euro)	31 December 2021	31 December 2020
Sureties and guarantees provided by third parties to third parties in the interests of the Company	5,758	5,855
Sureties and guarantees provided by third parties to third parties in the interests of Group companies	9,914	9,437
Guarantees provided by the Company to third parties in the interests of Group companies	109,510	139,720
Total	**125,182**	**155,012**

The Sureties and guarantees provided by third parties in the interests of the Company consist of bank sureties and guarantees on lease contracts.

The sureties and guarantees provided by third parties in the interests of Group companies represent the sureties and guarantees on lease contracts entered into by Group companies, including a guarantee for 6 million US dollars (equal to 5,298 thousand Euro) relating to a lease contract of the Ferragamo Usa Group.

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

48. Public funds Disclosure as per art. 1 paragraphs 125-129 of Italian Law no. 124/2017

Pursuant to art. 1, paragraph 125, of Italian Law 124/2017, as for the requirement to disclose in the notes any funds received during the year in the form of aid, grants, paid services, and generally economic benefits of any kind from public administrations and the entities as per paragraph 125 of the same article, in 2021 Salvatore Ferragamo S.p.A. received 32 thousand Euro for paid curricular internships from Tuscany's Regional Government. In accordance with art. 3-quater of Italian Law Decree 135/2018, converted with the relevant amendments into Law no. 12 of 11 February 2019, with respect to the funds received, please refer to the information in the National State Aid Register as per article 52 of Italian Law no. 235 of 24 December 2012.

49. Significant non-recurring events and transactions

During 2021, the Company did not carry out significant non-recurring transactions and no significant non-recurring events occurred.

50. Transactions arising from atypical and/or unusual transactions

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

51. Information on the direct and indirect subsidiaries of Salvatore Ferragamo S.p.A.

The direct and indirect subsidiaries of Salvatore Ferragamo S.p.A. as at 31 December 2021 are detailed below:

Company name	Location	Currency	Share capital	31 December 2021		
				Controlling interest (%)		Notes
				Direct	Indirect	
Ferragamo Retail Nederland B.V.	Amsterdam, Holland	Euro	500,000	100%		
Ferragamo France S.A.S.	Paris, France	Euro	4,334,094	100%		
Ferragamo Deutschland GmbH	Munich, Germany	Euro	3,300,000	100%		
Ferragamo Austria GmbH	Vienna, Austria	Euro	1,853,158	100%		
Ferragamo U.K. Limited	London, United Kingdom	Pound Sterling	7,672,735	100%		
Ferragamo (Suisse) SA	Mendrisio, Switzerland	Swiss Franc	1,000,000	100%		
Ferragamo Belgique SA	Brussels, Belgium	Euro	750,000	100%		
Ferragamo Monte-Carlo S.A.M.	Principality of Monaco	Euro	304,000	100%		
Ferragamo Espana S.L.	Madrid, Spain	Euro	4,600,000	100%		
Ferragamo USA Inc.	New York, United States	US Dollar	74,011,969	100%		
Ferragamo Canada Inc.	Vancouver, Canada	Canadian Dollar	4,441,461		100%	(1)
S-Fer International Inc.	New York, United States	US Dollar	4,600,000		100%	(1)
Sator Realty Inc.	New York, United States	US Dollar	100,000		100%	(1)
Ferragamo Mexico S. de R.L. de C.V.	Mexico City, Mexico	Mexican Peso	4,592,700	99.73%	0.27%	(1)
Ferragamo Chile S.A.	Santiago, Chile	Chilean Peso	1,362,590,000	99%	1%	(1)
Ferragamo Argentina S.A.	Buenos Aires, Argentina	Argentine Peso	16,000,000	95%	5%	(1)
Ferragamo Brasil Roupas e Acessorios Ltda.	Sao Paulo, Brazil	Brazilian Real	55,615,000	99%	1%	(1)
Ferragamo Hong Kong Ltd.	Hong Kong, China	Hong Kong Dollar	10,000	100%		
Ferragamo Japan K.K.	Tokyo, Japan	Japanese Yen	305,700,000	71%		
Ferragamo Australia Pty Ltd.	Sydney, Australia	Australian Dollar	13,637,003	100%		
Ferrimag Limited	Hong Kong, China	Hong Kong Dollar	109,200,000		75%	(2)
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	Shanghai, China	US Dollar	200,000		75%	(3)
Ferragamo Moda (Shanghai) Co. Ltd.	Shanghai, China	US Dollar	1,400,000	75%		
Ferragamo Retail HK Limited	Hong Kong, China	Hong Kong Dollar	39,000,000		75%	(3)
Ferragamo Retail Taiwan Limited	Taipei, Taiwan	New Taiwanese Dollar	136,250,000		75%	(3)
Ferragamo Retail Macau Limited	Macau, China	Macau Pataca	25,000	75.2%		
Ferragamo Retail India Private Limited	New Delhi, India	Indian Rupee	300,000,000	100%		(4)
Ferragamo Korea Ltd.	Seoul, South Korea	South Korean Won	3,291,200,000	100%		
Ferragamo (Singapore) Pte Ltd.	Singapore	Singapore Dollar	4,600,000	100%		
Ferragamo (Thailand) Limited	Bangkok, Thailand	Baht	100,000,000	100%		
Ferragamo (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	Malaysian Ringgit	1,300,000	100%		

1.Through Ferragamo USA Inc.;
2.Through Ferragamo Hong Kong Ltd.;
3.Through Ferrimag Limited;
4.Non-operating company

52. Significant events occurred after 31 December 2021

On 1 January 2022, Mr Marco Gobbetti took on the position of director, Managing Director and General Manager of the Company, with all the powers of ordinary administration, as per the resolution of the company's Board of Directors dated 14 December 2021, while Michele Norsa resigned from his position as director and Executive Deputy Chair. Effective 1 January 2022, the director Angelica Visconti took on the position of the Company's Deputy Chair.

53. Proposal for the allocation of the profit

The Board of Directors of Salvatore Ferragamo S.p.A. proposes:

1. to allocate the profit for the year 2021, totaling 32,799,914 Euro, to the Extraordinary Reserve and distribute part of the profits set aside in the Extraordinary Reserve, amounting to:

- a gross dividend of 0.34 Euro for each of the 167,102,100 ordinary shares outstanding (net of 1,687,900 treasury shares), for a total of 56,814,714 Euro.

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

Type of services (In thousands of Euro)	Subject which supplied the service	Recipient	Notes	2021 Fees
Audit	Independent Auditors of the Parent company	Parent company		252
Other services	i) Independent Auditors of the Parent company	Parent company	(1)	51
	ii) Independent Auditors' network of the Parent company	Parent company	(2)	104
Total				**407**

1) The item refers to the certification of the Consolidated Non-Financial Statement.
2) The item largely refers to services supporting IT assessments and services rendered to Risk Management.

Florence, 8 March 2022

On behalf of the Board of Directors

The Chair
Leonardo Ferragamo

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

1. The undersigned Marco Gobbetti in his capacity as "Managing Director" and Alessandro Corsi in his capacity as "Manager charged with preparing Company's Financial Reports" of Salvatore Ferragamo S.p.A. certify, having also taken account of the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - the adequacy in relation to the company's structure and
   - the effective application of the administrative and accounting procedures for the preparation of the separate financial statements for the 1 January – 31 December 2021 period.
2. The adequacy of the administrative and accounting procedures for the preparation of the 2021 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 as at 31 December 2021:

      a. have been prepared in accordance with the applicable international accounting standards as endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council, dated 19 July 2002, and subsequent integrations;

      b. correspond with accounting books and records;

      c. are suitable to provide a true and fair representation of the financial conditions, results of operations and cash flows of the Company.

   3.2 The Directors' report on operations includes a reliable analysis of operating performance and results, as well as of the situation of the Company, as well as a description of the main risks and uncertainties to which it is exposed.

Florence, 8 March 2022

Managing Director
Marco Gobbetti

Manager charged with
preparing Company's Financial Reports
Alessandro Corsi

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors
to the Shareholders' Meeting

(pursuant to art. 153 of Italian Leg. Decree 58/1998)

Dear Shareholders,

The Board of Statutory Auditors of Salvatore Ferragamo SpA (hereinafter also referred to as "Ferragamo" or "Company"), pursuant to art. 153 of Italian Leg. Decree 58/1998 ("TUF", which stands for *Testo Unico della Finanza* – Consolidated Law on Finance in Italian), shall report to the Shareholders' Meeting convened for the approval of the financial statements on the supervisory activities carried out during the year as well as any potentially material omissions or reprehensible events. In addition, the Board of Statutory Auditors shall also make proposals regarding the financial statements and their approval as well as the matters within its area of responsibility.

This report concerns the work performed by the Board of Statutory Auditors of Salvatore Ferragamo SpA during the year ended 31 December 2021 (hereinafter also referred to as "Report").

Introduction

In the year ended 31 December 2021, the Board of Statutory Auditors performed the supervisory activities required by law in accordance with the standards of conduct recommended by the Italian National Board of Accountants and Auditors (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili), Consob's regulations on corporate controls, and the guidance in the Corporate Governance Code approved in January 2020 by the Corporate Governance Committee and applicable starting from the first period beginning after 31 December 2020.

The activities described below were formally recorded in the minutes of the 22 meetings the Board of Statutory Auditors held during 2021 and the 4 meetings held in 2022 up to the preparation of this Report.

The Board of Statutory Auditors has always attended the meetings (i) of the Board of Directors, (ii) the Control and Risks Committee – which acts also as the Committee responsible for Transactions with Related Parties and corporate sustainability – and (iii) the Nomination and Remuneration Committee.

Appointment of the Board of Statutory Auditors

The Board of Statutory Auditors as at the reporting date had been appointed by the Shareholders' Meeting of 8 May 2020 and consisted of Andrea Balelli (Chair), Paola Caramella (Acting Statutory Auditor), and Giovanni Crostarosa Guicciardi (Acting Statutory Auditor).

The same Meeting also appointed the Substitute Statutory Auditors Roberto Coccia and Antonella Andrei.

Supervisory activities pursuant to art. 149 of the TUF

Pursuant to art. 149 of the TUF, the Board of Statutory Auditors supervises:

- compliance with the law and the bylaws;
- adherence to the principles of sound management;

- the adequacy of the Company's organizational structure as far as matters within its area of responsibility are concerned, the internal control system, and the administrative-accounting system – as well as the latter's reliability in presenting fairly the Company's operations;
- the implementation of the corporate governance rules set out in the codes of conduct issued by regulated market operators or trade associations that the Company has formally adopted through public disclosures;
- the adequacy of the instructions the Company gives to subsidiaries pursuant to art. 114, paragraph 2 of the TUF.

<u>Supervision of compliance with the law and the bylaws</u>
The Board of Statutory Auditors has obtained the information necessary to perform its supervisory duties by participating in the meetings of the Board of Directors and the Board Committees it is required to attend, as well as through hearings of the Company's and Group's management, meetings with the audit firm, analyses of the information flows received from the relevant control bodies of the Group's companies as well as from the competent business structures, and additional monitoring activities.
In addition, the Board of Statutory Auditors has obtained information on the operations carried out and the transactions that materially impacted the Company's financial performance, financial position, and cash flows, as well as the Group's strategic guidelines, from the Directors on a monthly basis. The Board of Statutory Auditors can provide reasonable assurance that the transactions authorized and conducted by the Company comply with the law and the bylaws and are not manifestly imprudent, risky, in conflict of interest, contrary to the decisions of the Shareholders' Meeting, or such as to compromise the integrity of corporate assets. In addition, there were no atypical or unusual transactions;

Specifically, the Board of Statutory Auditors
- reports that the following significant transactions and events occurred in 2021:
    - on 28 January 2021, the Board of Directors passed a regulation that defines the rules governing its operations as well as those of board committees;
    - on 22 April 2021, the Ordinary Shareholders' Meeting appointed the new Board of Directors, which shall remain in office until the approval of the financial statements as at 31 December 2023. On the same date, the Extraordinary Shareholders' Meeting approved the amendments to article 6 of the Bylaws concerning increased voting rights to align it with the interpretation of art. 127-*quinquies* of the Consolidated Law on Finance issued by Consob with Communication no. 0214548 of 18 April 2019;
    - on 22 April 2021, the Board of Directors set up Board committees, namely the Control and Risks Committee, which acts also as the Related Party Transactions Committee and is responsible for corporate sustainability, the Nomination and Remuneration Committee, and the Growth Plan and Strategy Committee;
    - on 11 May 2021, the Board of Directors (i) approved the update to the Related Party Transactions Procedure; (ii) approved the update to the Modern Slavery Statement; (iii) noted the update to the Company's Supplier Code of Conduct;
    - on 28 June 2021, Salvatore Ferragamo SpA and Ferragamo Finanziaria SpA, the majority shareholder in Ferragamo, announced they had reached an agreement with Mr Marco Gobbetti for him to join Salvatore Ferragamo SpA as General Manager and Managing Director. At the meeting held on 1 July 2021, the Board of Directors approved the

agreements to terminate the employment relationship with Ms Micaela le Divelec Lemmi as the Company's Managing Director, as well as the terms and conditions of employment of Mr Marco Gobbetti. At the same meeting, the Board also resolved to begin the procedures for updating the Company's remuneration policy, so as to align it with the treatments set out in the management agreement with Mr Marco Gobbetti, to be then submitted to the Shareholders' Meeting for approval;

- □ On 7 July 2021, the parties defined and agreed the terms of the transfer of the fragrances business from the Company to Inter Parfums, Inc., with the grant of an exclusive global license to produce and distribute "Salvatore Ferragamo"-branded fragrances. The negotiation had been approved by the Board of Directors on 11 May 2021 and then conducted exclusively with Inter Parfums, Inc. since 3 June 2021;
- □ on 20 July 2021, the Board of Directors, in light of intervening regulatory changes, approved the update to (i) the internal rules governing the handling and disclosure of confidential as well as actual and potential inside information, and (ii) the procedure governing the keeping and updating of the register of individuals who have access to actual and potential inside information;
- □ on 27 July 2021, the director Marinella Soldi resigned effective immediately from her position;
- □ on 7 September 2021, the Company terminated the employment relationship with the Managing Director Micaela le Divelec Lemmi and, on the same date, the Board of Directors vested the powers of ordinary administration in the Executive Deputy Chair Michele Norsa;
- □ on 29 September 2021, the Board of Directors co-opted two new directors pursuant to art. 2386, paragraph 1 of the Italian Civil Code, to replace the two mentioned outgoing directors;
- □ on 14 December 2021, the Shareholders' Meeting of the Company (i) approved the update to the remuneration policy for the year 2021 and two share-based incentive plans of the Company (so-called "Restricted Shares Plan" and "Special Award 2022-2026 Plan"), (ii) appointed the two directors co-opted at the Board meeting held on 29 September 2021;
- □ on 14 December 2021, the Board of Directors (i) accepted the resignation of Executive Deputy Chair Michele Norsa (effective 31 December 2021); (ii) co-opted Mr Marco Gobbetti as director of the company pursuant to art. 2386 of the Italian Civil Code, naming him Managing Director and General Manager (effective 1 January 2022); (iii) approved rules on management and coordination governing how information is exchanged between the Company and the majority shareholder Ferragamo Finanziaria SpA; (iv) approved the 2022 Budget; (v) approved an update to the Internal Dealing procedure; (vi) resolved to terminate the Growth Plan and Strategy Committee effective 1 January 2022.

– reports that the following significant transactions and events occurred in 2022 up to the reporting date:
  - □ on 27 January 2022, the Board of Directors (i) approved the 2022 Audit Plan; (ii) shared an organizational structure supporting the guidelines set by the new Managing Director to define the Company's new business plan;
  - □ on 8 March 2022, the Board of Directors: (i) approved the draft separate and consolidated financial statements as at 31 December 2021; (ii) approved the Non-Financial Statement

as at 31 December 2021, pursuant to Italian Leg. Decree 254/2016; (iii) approved the 2022 Remuneration Policy; (iv) presented the findings of the "Board Review 2021".

In addition, the Board of Statutory Auditors:

- in its capacity as Supervisory Body pursuant to Italian Leg. Decree 231/2001, examined the matters addressed by said decree and found no significant reprehensible issues or events;
- held regular meetings with representatives of the audit firm to mutually exchange data and information material to the discharge of its duties in accordance with art. 150, paragraph 3 of the TUF. In this regard, there was no material data or information to be disclosed in this report;
- did not receive complaints as per art. 2408 of the Italian Civil Code;
- issued opinions on the remuneration of directors holding specific positions in accordance with art. 2389, paragraph 3 of the Italian Civil Code;
- issued opinions on the so-called "non-audit fees" for services other than auditing, in accordance with applicable laws and the Company's internal procedure, examining specifically their impact on independence, with nothing to report in this regard.

In addition, concerning the Company's bodies and functions, the Board of Statutory Auditors reports that:

- the Board of Directors held 12 meetings in 2021;
- the Control and Risks Committee held 13 meetings in 2021;
- the Nomination and Remuneration Committee held 13 meetings in 2021;
- the Supervisory Body as per Italian Leg. Decree 231/2001 held 8 meetings in 2021.

<u>Supervision of adherence to the principles of sound management and the adequacy of the organizational structure</u>

The Board of Statutory Auditors:

- obtained information on and supervised, within the scope of its responsibilities, the adequacy of the Company's organizational structure and adherence to the principles of sound management through direct observation as well as by gathering information from the heads of corporate departments and meeting with the audit firm to mutually exchange material data and information. The Board of Statutory Auditors has nothing to report in this regard and considers the Company's organizational structure to be essentially suitable for its needs and those of the Group as well as for ensuring adherence to the principles of sound management;
- assessed and supervised the adequacy of the administrative-accounting system, as well as its reliability in presenting fairly the Company's operations, by obtaining information from the heads of the relevant departments, examining business documents, and analyzing the work of the audit firm. The Board of Statutory Auditors has nothing to report in this regard.

The Board of Statutory Auditors has ascertained that directors and statutory auditors receive adequate supporting documents about the items on the agenda of Board of Directors' meetings with reasonable advance notice.

Based on the acquired information, the Board of Statutory Auditors acknowledges that management makes decisions in an informed and reasonable manner and directors are aware of the risks and impacts of the transactions carried out.

The Board of Statutory Auditors did not find any significant atypical and/or unusual transactions, including intragroup transactions as well as intragroup and non-intragroup related party transactions. In addition, the Board of Statutory Auditors also assessed the adequacy of the information disclosed in the Directors' report on operations on the lack of significant atypical and/or unusual transactions.

Supervision of the actual implementation of corporate governance rules

Pursuant to art. 149, paragraph 1, lett. c-*bis* of the TUF concerning the supervision by the Board of Statutory Auditors of "*the actual implementation of the corporate governance rules set out in the codes of conduct issued by regulated market operators or trade associations that the company has formally adopted through public disclosures*", the Board of Statutory Auditors supervised:

- the actual implementation of the corporate governance rules set out in codes of conduct that the Company has formally adopted through public disclosures. In accordance with art. 123-bis of the TUF, the Company prepared the annual Report on Corporate Governance and Ownership Structure for 2021, approved on 8 March 2022, which includes information about (i) the Company's ownership structure; (ii) the Company's actual corporate governance practices; (iii) the key characteristics of the existing risk management and internal control systems, including as far as the separate and consolidated financial reporting process is concerned; (iv) the functioning of the Shareholders' Meeting, its main powers, the rights of Shareholders, and how they can exercise them; and (v) the composition and functioning of the administration and control bodies and the relevant committees, as well as the other disclosures required by art. 123-bis of the TUF;
- the adoption of the Remuneration Policy for Directors and Managers with strategic responsibilities, in accordance with the Corporate Governance Code;
- the implementation of the procedure for the commissioning of services to the audit firm within the Ferragamo Group during the year.

In addition, the Board of Statutory Auditors acknowledges that: (i) in accordance with the requirements in art. 148, paragraph 3 of the TUF and the guidance provided by the Italian National Board of Accountants and Auditors as well as the Corporate Governance Code, it verified whether its members met the independence, professional expertise, competence and honesty requirements as per applicable laws; (ii) it found that the criteria and procedures adopted by the Board of Directors for the annual assessment of the independence of its independent directors were properly implemented, and that the Board of Directors conducted an analysis based on substantiated evidence and consistent with the decisions concerning the identification of Ferragamo's related parties. The Board of Statutory Auditors has nothing to report in this regard.

Supervision of the adequacy of the instructions the company gives to subsidiaries

Pursuant to art. 114, paragraph 2 of the TUF: (i) listed issuers give the instructions necessary for the subsidiaries to disclose all information required to meet disclosure requirements in accordance with the law; (ii) the subsidiaries provide the requested disclosures in a timely manner.

The Board of Statutory Auditors supervised the adequacy of the instructions given to subsidiaries, and found that the Company is able to promptly and regularly meet disclosure requirements in accordance with the law – including by gathering information from the heads of organizational functions and regularly meeting with the audit firm to mutually exchange material data and information. The Board of Statutory Auditors has nothing to report in this regard.

In addition, the Boards of Directors of the subsidiaries generally include among their members Directors and/or Managers of the Parent company vested with executive powers, thus ensuring a coordinated management and an adequate flow of information supported by appropriate accounting records.

Intragroup or related-party transactions

In accordance with art. 2391-*bis* of the Italian Civil Code as well as Consob resolution no. 17221 of 12 March 2010 containing the "Related-Party Transactions Regulation" (as amended), on 30 March 2011 Ferragamo's Board of Directors, with the favorable opinion of the Related-Party Transactions Committee – which consists only of independent directors (and is appointed for this purpose with a specific resolution of the Board of Directors in accordance with art. 4, paragraph 1 of said Regulation), adopted the "Procedure governing transactions with related parties", which was subsequently updated on 13 November 2014, 31 July 2018, and 11 May 2021.
Pursuant to art. 4 of said Regulation, we certify that the Procedure adopted by the Company (i) is consistent with the principles set out in the Regulation, and (ii) is published on the Company's website (*https://group.ferragamo.com*).
Based on the acquired information, in 2021 several transactions with related parties were carried out both within the Group and with third parties. As far as we know, based also on our supervisory work, transactions with related parties were carried out essentially in accordance with said procedure and the Regulation. The intragroup transactions we examined appear to be part of the ordinary course of business, as they concern commercial services as well as the exchange of administrative, financial and organizational services. These transactions were carried out on arm's length terms, determined in accordance with standard parameters reflecting the actual use of the services concerned, and were in the interest of the Company. The transactions with non-intragroup related parties we examined also appear to be part of the ordinary course of business (as they fall within day-to-day operating activities or the relevant financing activities) and were concluded on arm's length or standard terms. The transactions with related parties are disclosed in the Explanatory notes to the separate and consolidated financial statements along with the relevant economic impact.
In our opinion, all said transactions were carried out in the interest of the Company.

Supervision pursuant to Italian Leg. Decree no. 39/2010

Pursuant to art. 19 of Italian Leg. Decree no. 39/2010, as amended by Italian Leg. Decree 135/2016), the Board of Statutory Auditors (referred to as the "Audit Committee") shall:

- notify the audited entity's administrative body of the audit findings, as well as submit the additional report as per art. 11 of Regulation (EU) no. 537/2014 to said body along with any observations;
- monitor the financial reporting process;
- monitor the effectiveness of the internal control, internal audit and risk management systems;
- monitor the statutory audit of the annual and consolidated financial statements;
- verify and monitor the independence of statutory auditors or audit firms pursuant to arts. 10, 10-*bis*, 10-*ter*, 10-*quater*, and 17 of said decree as well as art. 6 of the EU Regulation, concerning especially the adequacy of non-audit services provided to the audited entity, in accordance with art. 5 of said Regulation;
- oversee the procedure for the selection of statutory auditors or audit firms and recommend the statutory auditors or audit firms to be appointed pursuant to art. 16 of the EU Regulation.

The Board of Statutory Auditors has worked with the Control and Risks Committee of the Board of Directors to coordinate their respective duties and avoid potential overlaps.
In this regard, Ferragamo invites all the members of the Board of Statutory Auditors to participate in

the activities of the Control and Risks Committee concerning the topics specifically set out in Italian Leg. Decree no. 39/2010 as well as the above matters to be supervised, allowing for a seamless relationship and facilitating the coordination and exchange of information between the two bodies.

Concerning specifically the activities set out in Italian Leg. Decree 39/2010 on Statutory Auditing, we report the following.

<u>Disclosure of the audit findings and the Additional Report as per art. 11 of the EU Regulation to the Administrative Body</u>
Pursuant to art. 19 of Italian Leg. Decree 39/2010, the Board of Statutory Auditors notified the administrative body of the audit findings as well as submitted the additional report as per art. 11 of the EU Regulation no. 537/2014, issued by the audit firm on 21 March 2022.

<u>Supervision of the financial reporting process</u>
The Board of Statutory Auditors has ascertained the existence of rules and procedures concerning the preparation and disclosure of financial information. In this regard, the Report on Corporate Governance and Ownership Structure defines the guidelines of the internal control and risk management system as well as appropriate financial reporting methods and procedures.
The Board of Statutory Auditors, with the help of the Manager charged with preparing Company's Financial Reports, examined the procedures concerning the preparation of the Company's financial statements and the consolidated financial statements as well as the other interim financial reports. In addition, the Board of Statutory Auditors obtained evidence of the process allowing the Manager charged with preparing Company's Financial Reports as well as the competent Director to issue the certifications required by art. 154-*bis* of the TUF.
The Board of Statutory Auditors learned that the administrative/accounting procedures for the preparation of the financial statements and any other financial disclosures are overseen by the Manager charged with preparing Company's Financial Reports, who, together with the Managing Director, certifies their adequacy and actual implementation for the purposes of preparing the separate and consolidated financial statements as well as the half-year report.
On 21 March 2022, the Managing Director and the Manager charged with preparing Company's Financial Reports issued the certifications of the consolidated and separate financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 as amended and supplemented.
Therefore, the Board of Statutory Auditors considers the financial reporting process to be adequate and has nothing to report to the Shareholders' Meeting.

<u>Supervision of the effectiveness of the internal control, internal audit and risk management systems</u>
The Board of Statutory Auditors, including together with the Control and Risks Committee, regularly met with the Internal Audit Manager and was informed about both the findings of the audits aimed at verifying the adequacy and operation of the internal control system – in accordance with the law as well as corporate procedures and processes – and the implementation of the relevant plans for improvement. In addition, the Board of Statutory Auditors received the 2022 Audit Plan approved by the Board of Directors on 27 January 2022 (on which the Control and Risks Committee and the Board of Statutory Auditors issued a favorable opinion at the meeting held on 19 January 2022) as well as regular updates on the progress on the Plan and any potential corrective actions. In addition, it received the Report of the Internal Audit Manager for the year 2021
as well as the Control and Risks Committee's six-monthly report.

In addition, please note that the Company adopts an integrated risk management model, in line with ERM (“Enterprise Risk Management”) standards and best practices, inspired by the framework issued by the “Committee of Sponsoring Organizations of the Treadway Commission”. During 2021, the Company launched a major project to update and revise the ERM model, which will continue into 2022, also by adopting an integrated ESG (“Environmental, Social and Governance”) approach. The goal is to provide a better and deeper understanding of the trends concerning the topics that are most material to the Company and its stakeholders, which will be incorporated into the Company's future strategic plan.

Therefore, the Board of Statutory Auditors considers the overall internal control system to be essentially adequate and has nothing to report to the Shareholders’ Meeting.

* * *

Finally, the Board of Directors reports that, concerning the mitigation of the impact of the Covid-19 pandemic, as soon as in 2020 the Company prepared and implemented a contingency plan listing all the initiatives to be implemented to curb costs, and took all necessary strategic and operational steps in accordance with internal company protocols appropriate to the type of risk identified by the Company to manage the crisis by activating the dedicated internal structures, and took all possible measures to protect the health of employees, including by expanding the use of smart working.

<u>Supervision of the statutory audit of the annual and consolidated financial statements</u>

- Accounting procedures have been audited in accordance with the law by the audit firm KPMG, which the Shareholders’ Meeting of 18 April 2019 appointed as independent auditors for the years 2020-2028;
- The Board of Statutory Auditors held regular meetings with the audit firm KPMG to mutually exchange information to perform their duties, including pursuant to art. 150, paragraph 3, of the TUF. Based on the meetings held, there are no material issues to report concerning auditing activities or significant deficiencies in the integrity of the internal control system as far as specifically the financial reporting process is concerned;
- Today, KPMG issued its report on the separate financial statements and the consolidated financial statements prepared in accordance with the International Financial Reporting Standards adopted by the European Union and the legislation enacting art. 9 of Italian Leg. Decree no. 38/05, as well as its opinion on the consistency of the Directors’ report on operations and the Report on Corporate Governance and Ownership Structure with the financial statements. This report did not include objections or requests for additional disclosures.

<u>Independence of the audit firm, specifically concerning the provision of non-audit services</u>

Concerning the annual review of independence requirements, the Board of Statutory Auditors states it received a written confirmation from the audit firm with the submission of the Additional Report issued today in accordance with art. 11 of the EU Regulation.
The Board of Statutory Auditors supervised the independence of the audit firm and received evidence on a regular basis of the non-audit services to be assigned (or assigned pursuant to specific regulatory provisions) to the independent auditors.

As the Ferragamo Group's consolidated financial statements show, in 2021 KPMG rendered the following services to the Group, including through its network:

Entity and reference period *Euro 000*		**Audit services**	**Non-audit services**	**Total**
Salvatore Ferragamo SpA	(2021)	252	155	407
Ferragamo Group	(2021)	642	9	651
Total		**894**	**164**	**1,058**

The Board of Statutory Auditors believes the above fees are proportionate to the extent, complexity, and characteristics of the work carried out, and that the non-audit services (and the relevant fees) are not such to compromise the independence of the audit firm. The Board of Statutory Auditors also ensured that the duties assigned to the audit firm are not among those that cannot be assigned to it pursuant to the mentioned EU Regulation.
Concerning the audit firm, the Board of Statutory Auditors notes that the mentioned KPMG Additional Report did not reveal significant deficiencies in the internal financial control system and/or in the accounting system.

Consolidated Non-Financial Statement (NFS)

As a public-interest entity (PIE) and large Group, Ferragamo must provide the non-financial disclosures required by Italian Leg. Decree 254/2016 transposing Directive 2014/95/EU into Italian Law, which became effective on 25 January 2017.
In accordance with said regulations, the Ferragamo Group prepared its NFS for the year ended 31 December 2021, approved by means of a resolution of the Board of Directors held on 8 March 2022 and included in the Annual Report as at 31 December 2021 as part of the Directors' report on operations, in order to ensure an understanding of its operations, performance, results, and impact, addressing the topics considered material and set out in art. 3, paragraphs 3 and 4, of Italian Leg. Decree 254/2016 in accordance with the "Global Reporting Initiative Sustainability Standards", as defined by the GRI – Global Reporting Initiative.
In this sense, the NFS: (I) includes a description of topics concerning: corporate governance, company policies, the management and organizational business model, and the results achieved by the Company relating to environmental matters, social and employee-related matters, respect for human rights, and anti-corruption and bribery matters; (ii) consists of 4 macro-sections: sustainability culture, responsibility towards people, responsibility towards the environment, and social responsibility.
During 2021, the Company also adopted a new IT platform to collect and consolidate non-financial data.

Concerning specifically the examination of the consolidated non-financial statement, the Board of Statutory Auditors supervised compliance with the provisions in Italian Leg. Decree 254/2016 within the responsibilities assigned to it by law. In this regard, the Board of Statutory Auditors states that:

- pursuant to art. 3, paragraph 10, of Italian Leg. Decree 254/2016 and art. 5 of Consob Regulation no. 20267/2018, the Company appointed KPMG to perform the statutory audit of the Ferragamo Group's consolidated non-financial statement;

- the Board of Statutory Auditors received regular updates on the groundwork for the preparation of the NFS;
- Today, KPMG issued its report on the consolidated non-financial statement, certifying, in line with the guidance in the standard ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information and to the extent appropriate for a limited audit, the compliance of the information disclosed in the NFS with the relevant laws and the reporting standards used;
- today, KPMG issued its report on the conformity of the separate financial statements (hereinafter also referred to as "Financial Statements") and consolidated financial statements, stating it ensured that the non-financial statement has been prepared.

The Board of Statutory Auditors did not find any violations of the relevant regulatory provisions, and therefore considers the non-financial reporting process to be adequate and has nothing to report to the Shareholders' Meeting.

Separate financial statements, consolidated financial statements, and Directors' report on operations

Ferragamo's draft financial statements, approved by resolution of the Company's Board of Directors on 8 March 2022, were prepared in accordance with the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, as well as with the legislation enacting art. 9 of Italian Leg. Decree no. 38/2005.
Concerning specifically the separate financial statements for the year ended 31 December 2021, the consolidated financial statements as at 31 December 2021, and the Directors' report on operations for the year 2021, the Board of Statutory Auditors reports that:

- the Company's financial statements and the consolidated financial statements were prepared in accordance with the structure and reporting formats required by applicable laws;
- the financial statements are accompanied by the Directors' report on operations, which summarizes the main risks and uncertainties as well as describes the Company's outlook. This report complies with applicable laws and is consistent with the resolutions of the administrative body as well as the information in the financial statements. In addition, it includes adequate disclosures of the operations carried out during the year, intragroup transactions, and the potential impacts of the pandemic on business goals and risks. In accordance with IFRS, the section containing related-party transaction disclosures was included in the Explanatory notes to the financial statements;
- the Company prepared also the Report on Corporate Governance and Ownership Structure, pursuant to art. 123-*bis* of the TUF, and the Remuneration Report pursuant to art. 123-*ter* of the TUF;
- the Board of Directors received the financial statements in time for filing them at the Company's registered office along with this report;
- it verified the rationality of the assessments made and their consistency with international accounting standards;
- it verified the consistency of the financial statements with the events and information it is aware of as a result of the work carried out; therefore, it has nothing to report in this regard;
- as far as the Board of Statutory Auditors knows, the Directors did not depart from the provisions as per art. 2423 of the Italian Civil Code in preparing the financial statements;

- Ferragamo's Board of Directors, in accordance with the joint document issued by the Bank of Italy/Consob/ISVAP on 3 March 2010, independently approved the procedure and results of the impairment test ahead of the approval of the draft financial statements, ensuring their compliance with IAS 36. The information and findings of the assessments carried out are reported in the Explanatory notes to the financial statements.

Proposal to the Shareholders' Meeting

1. **Financial Statements as at 31 December 2021**
   In conclusion, the Board of Statutory Auditors—within the scope of its responsibilities, having noted the information in the Financial Statements as at 31 December 2021, and considering the observations included in this report—proposes that the Shareholders' Meeting approve the Financial Statements as presented by the Board of Directors.

2. **Group Remuneration Policy**
   The Board of Statutory Auditors raises no objection to the Remuneration Policy submitted to the Shareholders' Meeting.

Final Remarks

The Board of Statutory Auditors has no issues to report concerning the information obtained and the supervisory activities performed; the Board of Statutory Auditors did not find any omissions, reprehensible events, irregularities or circumstances to be reported in this document or to the Supervisory Authority.

Florence, 21 March 2022

THE BOARD OF STATUTORY AUDITORS

Andrea Balelli (Chair)

Paola Caramella (Acting Statutory Auditor)

Giovanni Crostarosa Guicciardi (Acting Statutory Auditor)


· 1927 ·
Salvatore

Independent Auditor's Report

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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

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

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Salvatore Ferragamo S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2021, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Salvatore Ferragamo S.p.A. as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of inventories

Notes to the separate financial statements: note 2 "Statement of compliance with the IFRS and basis of preparation" and note 13 "Inventories"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2021 include inventories of €81 million, net of the allowance for inventory write-down of €25 million. Determining the allowance for inventory write-down is a complex accounting estimate, entailing a high level of judgement as it is affected by many factors, including: — the characteristics of the company's business sector; — the market performance and fashion trends; — the age of the collection in stock; — pricing policies and sales ability through the different distribution channels; — the emergency situation caused by Covid-19. For the above reasons, we believe that the measurement of inventories is a key audit matter.	Our audit procedures included: — understanding the process for the measurement of inventories and assessing the design and implementation of material controls; — analysing changes in inventories during the year, considering their expected life cycle based on their age; — analysing documents and discussing the assumptions adopted to calculate the allowance for inventory write-down with the relevant internal departments, in order to understand the assumptions underlying the expectations of how goods will be sold and comparing those assumptions with historical figures and our knowledge of the company and its operating environment; — assessing the appropriateness of the disclosures provided in the notes about inventories.

Other matters

Management and coordination

As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own separate financial statements. Our opinion on the separate financial statements of Salvatore Ferragamo S.p.A. does not extend to such data.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The company's directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The company's directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the

related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 18 April 2019, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2020 to 31 December 2028.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the Collegio Sindacale, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The company's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2021 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2021 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2021 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Salvatore Ferragamo S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Florence, 21 March 2022

KPMG S.p.A.

(signed on the original)

Riccardo Cecchi
Director