Salvatore Ferragamo S.p.A.

(incorporated in the Republic of Italy as a joint stock company)

Global Offering of 38,275,000 Ordinary Shares (with a nominal value of €0.10)

This offering circular (the "**Offering Circular**") relates to the initial offering of the ordinary share capital of Salvatore Ferragamo S.p.A. (the "**Company**"), a *società per azioni* incorporated and organized under the laws of the Republic of Italy. Our ordinary shares are denominated in Euro and each has a nominal value of €0.10 (the "**Ordinary Shares**"). Ferragamo Finanziaria S.p.A. (our principal shareholder, the "**Selling Shareholder**") is selling 38,275,000 Ordinary Shares of the Company in the Global Offering (as defined below) (the "**Offer Shares**"). We will not receive any proceeds from the sale of Offer Shares by the Selling Shareholder pursuant to the Global Offering. Up to 34,447,500 Offer Shares are being offered by means of an offering (i) in the United States only to qualified institutional buyers as defined in and in reliance upon Rule 144A ("**QIBs**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and (ii) to investors outside the United States in offshore transactions in reliance upon Regulation S under the Securities Act (the "**Institutional Offering**"). In addition to the Institutional Offering pursuant to this Offering Circular, a minimum of 3,827,500 Offer Shares are being offered to retail investors in Italy by way of a public offering pursuant to a separate prospectus in the Italian language (the "**Italian Public Offering**" and together with the Institutional Offering, the "**Global Offering**").

No public market currently exists for our Ordinary Shares. We have applied to list our Ordinary Shares on the *Mercato Telematico Azionario* (the "**MTA**"), the Italian screen-based trading system managed by Borsa Italiana S.p.A. ("**Borsa Italiana**"). Trading in our Ordinary Shares on the MTA is expected to commence on June 29, 2011 (the "**Listing Date**").

The offering price in the Global Offering is €9.00 per share.

The Selling Shareholder has granted the Joint Global Coordinators and Joint Bookrunners named in this Offering Circular an option to purchase up to 3,827,500 additional Ordinary Shares in connection with the Institutional Offering (equal to 10% of the Offer Shares) at the offer price to cover over-allotments, if any (the "**Over-Allotment Option**"). The Over-Allotment Option is exercisable until the day falling 30 calendar days from the commencement of trading of our Ordinary Shares on the MTA. If the Over-Allotment Option is exercised in full, 42,102,500 Offer Shares will be offered in the Global Offering.

See "Risk Factors" beginning on page 16 of this Offering Circular for a discussion of certain risks which you should consider in connection with an investment in our Ordinary Shares.

The Offer Shares have not been and will not be registered under the Securities Act. We are offering the Offer Shares in the United States only to QIBs as defined in and pursuant to Rule 144A under the Securities Act and to persons outside the United States in reliance upon Regulation S under the Securities Act. You should refer to the sections "Plan of Distribution—Selling Restrictions" and "Transfer Restrictions" for a description of certain restrictions on resale or transfer of our Ordinary Shares.

We expect that delivery of the Offer Shares will be made to investors through Monte Titoli S.p.A., Clearstream Banking, *société anonyme*, and Euroclear Bank S.A./N.V., on or about June 29, 2011.

Joint Global Coordinators and Joint Bookrunners

Banca IMI | **J.P. Morgan** | **Mediobanca**

Co-Bookrunners

ICBC International | **MPS Capital Services** | **Nomura**

Financial Advisor

Caretti & Associati S.p.A.

Offering Circular dated June 23, 2011

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IMPORTANT INFORMATION

We are a joint stock company (*società per azioni*) organized under the laws of the Republic of Italy. Our principal executive offices are located at Via de' Tornabuoni, 2, Florence 50123, Italy and our telephone number at that address is +39 055 33601.

In this Offering Circular, unless otherwise specified: (i) "we," "us," "the Company," "the Group," and "our" refer to the consolidated businesses of Salvatore Ferragamo S.p.A. and all of its subsidiaries; (ii) the "Selling Shareholder" refers to Ferragamo Finanziaria S.p.A.; (iii) "shares" or "share" refer to the Ordinary Shares of the Company; (iv) "Ferragamo Japan" refers to Ferragamo Japan K.K., the joint venture company carrying out the Group's activities in Japan; (v) the "Joint Global Coordinators and Joint Bookrunners" or "Joint Global Coordinators" refers to Banca IMI S.p.A., J.P. Morgan Securities Ltd. and Mediobanca—Banca di Credito Finanziario S.p.A.; (vi) "Co-Bookrunners" refers to ICBC International Capital Limited, MPS Capital Services S.p.A. and Nomura International plc; and (vii) "institutional managers" refers to the Joint Global Coordinators and Joint Bookrunners and the Co-Bookrunners.

This Offering Circular is strictly confidential and is being furnished by us in connection with an offering exempt from registration under the Securities Act solely for use in connection with the proposed Institutional Offering of our Ordinary Shares, as described herein. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates, or an offer to sell or the solicitation of any offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful.

By subscribing for or purchasing any Ordinary Shares pursuant to this Offering Circular, you will be deemed to have acknowledged that you have received and read this Offering Circular.

We accept responsibility for the completeness and accuracy of the information contained in this Offering Circular. To the best knowledge and belief of the members of our board of directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is accurate and complete in all material respects and no material facts, the omission of which would make misleading any statements of fact or opinion herein, have been omitted.

No representation or warranty, express or implied, is made by the institutional managers as to the accuracy or completeness of the information contained in this Offering Circular, and nothing contained herein is, or shall be relied upon as, a promise or representation by the institutional managers. The institutional managers assume no responsibility for the accuracy or completeness of this Offering Circular and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this Offering Circular or any such statement. In making an investment decision, you should rely on your own examination, analysis and enquiry of our Company, the Ordinary Shares and the terms of the Global Offering, including the merits and risks involved.

The institutional managers are acting exclusively for the Company and the Selling Shareholder and no one else in connection with the Global Offering. They will not regard any other person (whether or not a recipient of this Offering Circular) as their respective clients in relation to the Global Offering and will not be responsible to anyone other than the Company and the Selling Shareholder for providing the protections afforded to their respective clients nor for giving advice in relation to the Global Offering or any transaction or arrangement referred to herein.

No person has been authorized to give any information or to make any representations other than those contained in this Offering Circular, and, if given or made, such information or representations must not be relied upon as having been authorized. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or that the information contained herein is correct as at any time subsequent to its date.

Neither this Offering Circular nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular comes are required to inform themselves about and observe any such restrictions, including those set out in the preceding paragraphs. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. For further information on the manner of distribution of the Offer Shares, and the transfer restrictions to which they are subject, see "Plan of Distribution" and "Transfer Restrictions."

None of the Company, the Selling Shareholder or the institutional managers, or any of their respective representatives, is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each prospective investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares.

The prospective investors also acknowledge that: (i) they have not relied on the institutional managers or any person affiliated with the institutional managers in connection with any investigation of the accuracy of any information contained in this Offering Circular or their investment decision; and (ii) they have relied only on the information contained in this document, and that no person has been authorized to give any information or to make any representation concerning the Company or its subsidiaries or the Offer Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Company, the Selling Shareholder or the institutional managers.

In connection with the Global Offering, each of the institutional managers and any of their respective affiliates, acting as an investor for its own account, may take up Offer Shares in the Global Offering and in that capacity may retain, purchase or sell for its own account such securities and any Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Global Offering. Accordingly, references in this Offering Circular to Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to any of the institutional managers or any of their respective affiliates acting in such capacity. None of the institutional managers intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Offer Shares will, upon admission, rank *pari passu* in all respects with each other and with all the existing Ordinary Shares, including the right to receive dividends or other distributions declared, made or paid after admission to trading on Borsa Italiana.

STABILIZATION

IN CONNECTION WITH THIS OFFERING, MEDIOBANCA—BANCA DI CREDITO FINANZIARIO S.P.A., AS STABILIZING MANAGER (THE "STABILIZING MANAGER") (OR ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT SHARES PROVIDED THAT, IN THE CASE OF ANY SHARES TO BE ADMITTED TO TRADING ON ANY REGULATED EXCHANGES, THE AGGREGATE PRINCIPAL AMOUNT OF SHARES ALLOTTED DOES NOT EXCEED 115 PERCENT OF THE AGGREGATE PRINCIPAL AMOUNT OF THE ORDINARY SHARES OR EFFECT TRANSACTIONS FOR A LIMITED TIME WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SHARES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. HOWEVER, THERE IS NO OBLIGATION ON THE STABILIZING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) AND THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. STABILIZATION ACTIONS, IF ANY, MAY COMMENCE ON OR AFTER THE DATE ON WHICH TRADING IN THE SHARES BEGINS ON THE MTA AND, IF COMMENCED MAY BE DISCONTINUED AT ANY TIME BUT MUST BE BROUGHT TO AN END NO LATER THAN 30 DAYS AFTER THAT DATE. SAVE AS REQUIRED BY LAW OR REGULATION, THE STABILIZING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL NOT DISCLOSE THE EXTENT OF ANY OVER-ALLOTMENTS AND/OR STABILIZATION TRANSACTIONS. THE STABILIZING MANAGER SHALL ACT IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING, NEITHER

ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION, IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO PROSPECTIVE QUALIFIED INVESTORS IN ITALY

This Offering Circular has not been submitted to the *Commissione Nazionale per le Società e la Borsa*, the Italian Securities Exchange Commission, ("**CONSOB**") for clearance and will not be subject to formal review or clearance by CONSOB. Our shares are being offered or sold in Italy pursuant to an Italian prospectus in the Italian language in connection with the Italian Public Offering, approved by CONSOB pursuant to applicable Italian law on June 9, 2011 (the "**Italian Prospectus**").

Other than the offers contemplated in Italy once the Italian Prospectus has been approved by CONSOB in Italy and published in accordance with the Prospectus Directive as implemented in Italy, our shares may not be offered, sold or delivered, directly or indirectly in the Republic of Italy or to a resident of the Republic of Italy, unless such offer, sale or delivery of shares or distribution of copies of this Offering Circular or other documents relating to the Global Offering in the Republic of Italy are:

(a) made only to "qualified investors" (*investitori qualificati*), as defined pursuant to Article 34-*ter*, first paragraph, letter b), of CONSOB regulation No. 11971 of May 14, 1999, as amended, concerning issuers ("**Regulation No. 11971**"), but excluding (i) small and medium enterprises and natural persons indicated in Regulation No. 11971 which have not been included in the Company's register of qualified investors, (ii) management companies and financial intermediaries authorized to manage individual portfolios on behalf of third parties and (iii) fiduciary companies managing portfolio investments regulated by Article 60, paragraph 4 of Legislative Decree No. 415 of July 23, 1996; or

(b) in other circumstances which are exempt from the rules on public offers pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "Unified Financial Act") and its implementing CONSOB regulations, including Regulation No. 11971.

Any such offer, sale or delivery of the Offer Shares or distribution of copies of this Offering Circular or any other document relating to the Global Offering in the Republic of Italy must be in compliance with the selling restrictions under (a) and (b) above and must be:

(i) made by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r), of the Unified Financial Act), to the extent duly authorized to engage in the placement and/or underwriting and/or purchase of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Unified Financial Act, CONSOB Regulation 16190 of October 29, 2007, as amended, Legislative Decree No. 385 of September 1, 1993, as amended (the "**Italian Banking Act**") and any other applicable laws and regulations; and

(ii) in compliance with any other applicable requirements or limitations which may be imposed by CONSOB, the Bank of Italy or any other Italian regulatory authority.

Any investor purchasing the shares is solely responsible for ensuring that any offer or resale of the shares it purchased occurs in compliance with applicable laws and regulations.

In accordance with Article 100-*bis* of the Unified Financial Act, the subsequent resale on the secondary market in the Republic of Italy of the shares (which were part of an offer made pursuant to an exemption from the obligation to publish a prospectus) constitutes a distinct and autonomous offer that must be made in compliance with the public offer and prospectus requirement rules provided under the Unified Financial Act and Regulation No. 11971 unless an exemption applies. Failure to comply with such rules may result in the subsequent resale of such shares being declared null and void and the intermediary transferring the shares may be liable for any damage suffered by the investors.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES OF AMERICA

The Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable U.S. state securities laws. Please refer to the section of this Offering Circular entitled "Transfer Restrictions."

The Ordinary Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have the foregoing authorities passed upon or endorsed the merits of the Global Offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offense in the United States.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This Offering Circular and any other document issued in connection with the offering of the Ordinary Shares is confidential, and has not been (and will not be) approved by a person authorized under the Financial Services and Markets Act 2000 ("**FSMA**"). In the United Kingdom, this Offering Circular is being distributed to, and is directed only at persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (ii) are high-net-worth entities and other persons falling within Article 49(2)(a) to (d) of the Order or (iii) are persons to whom it may lawfully be communicated in accordance with the Order (all such persons being together referred to as "**Relevant Persons**"). In the United Kingdom, this Offering Circular is directed only at Relevant Persons and must not be acted on or relied upon by persons who are not Relevant Persons. Any investment or investment activity to which this Offering Circular relates is available only to Relevant Persons in the United Kingdom and will be engaged in only with Relevant Persons. All applicable provisions of the FSMA must be complied with in respect of anything done in relation to the Ordinary Shares in, from or otherwise involving the United Kingdom. The Shares are not being offered to the public in the United Kingdom within the meaning of the FSMA. The Shares may only be lawfully offered or sold to persons in the United Kingdom in compliance with all applicable provisions of the FSMA and the Order.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

This Offering Circular has been prepared on the basis that all offers of shares, other than the offers contemplated in Italy once the Italian Prospectus has been approved by CONSOB in Italy and published in accordance with the Prospectus Directive as implemented in Italy, will be made pursuant to an exemption from the requirement to produce a prospectus for offers of our shares under the Prospectus Directive, as implemented in Member States of the European Economic Area ("**EEA**"). Accordingly, any person making or intending to make any offer of shares in each Member State of the EEA (each, a "**Relevant Member State**") should only do so in circumstances in which no obligation arises for the Company, the Selling Shareholder or any of the institutional managers to produce or supplement a prospectus for such an offer. Neither the Company, the Selling Shareholder nor any of the institutional managers have authorized, nor do they authorize, the making of any offer of shares through any financial intermediary, other than offers made by institutional managers which constitute the final placement of the shares contemplated in this Offering Circular. Please refer to the section of this Offering Circular entitled "Transfer Restrictions." For the purposes of this Offering Circular, the expression "**Prospectus Directive**" means Directive 2003/71/EC and any amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State and includes any relevant implementing measure in Member States of the EEA and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

NOTICE TO PROSPECTIVE INVESTORS IN JAPAN

The shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. As part of the Institutional Offering, Nomura International plc may offer Offer Shares in Japan to a list of no more than 49 offerees in accordance with the foregoing provisions. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

The shares will not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange Ltd. ("**SIX**") or on any other stock exchange or regulated trading facility in Switzerland. This Offering Circular has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland.

Neither this Offering Circular nor any other offering or marketing material relating to the Global Offering, the Company or the shares has been or will be filed with or approved by any Swiss regulatory authority. In particular, this Offering Circular will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority ("**FINMA**"), and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

This Offering Circular as well as any other material relating to the shares is personal and confidential and does not constitute an offer to any other person. This Offering Circular may only be used by those investors to whom it has been sent in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without express consent of the Company. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG

The contents of this Offering Circular have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Global Offering. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

NOTICE TO PROSPECTIVE INVESTORS IN THE PEOPLE'S REPUBLIC OF CHINA

Ordinary Shares are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

OTHER JURISDICTIONS

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any shares in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of shares may be restricted by law in certain jurisdictions. The Company, the Selling Shareholder and the institutional managers do not represent that this Offering Circular may be lawfully distributed, or that any shares may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to any exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Company, the Selling Shareholder and the institutional managers which would permit a public offering of any shares outside the EEA or distribution of this Offering Circular in any jurisdiction where action for those purposes is required. Accordingly, no shares may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any shares may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of the shares. See also "Plan of Distribution—Selling Restrictions" for a description of certain restrictions on the offer and sale of shares in the Global Offering.

SERVICE OF PROCESS AND ENFORCEABILITY OF JUDGMENTS

We are incorporated as a *società per azioni* organized under the laws of the Republic of Italy. All of our directors and officers and all or a significant portion of the assets of such directors and officers are located outside of the United States, principally in Italy, and substantially all of our assets are located outside the United States, principally in Italy and in certain other countries. As a result, it may be difficult or impossible for investors to effect service of process within the United States upon us or any such other persons, or to enforce against us or any such persons judgments obtained in a United States court predicated upon common law or the civil liability provisions of the federal or state securities laws of the United States. In addition, awards of punitive damages in actions brought in the United States or elsewhere may not be enforceable in Italy.

We have been advised that pursuant to Law No. 218 of May 31, 1995, as amended: (i) recognition and enforceability in Italy of final judgments of U.S. courts, including judgments obtained in actions predicated upon the civil liability provisions of the federal securities laws of the United States, would not require retrial on the merits in Italy, subject, among other things, to the occurrence of the following requirements: (a) the absence of a conflicting final judgment by an Italian court; (b) the absence of an action pending in Italy among the same parties and arising from the same facts and circumstances commenced prior to the commencement of the action in the United States; (c) an Italian court's determination that U.S. courts had jurisdiction according to Italian law, that process was appropriately served on the defendant in accordance with U.S. law and that such judgment does not violate Italian public policy; (d) appearance before the court by parties to the trial or, in the event of default by the defendant, the U.S. court's declaration of such default in accordance with U.S. law and (e) the judgment being final and not subject to any further appeal in accordance with U.S. law and (ii) in original actions brought before Italian courts to enforce the civil liability provisions of the securities laws of the United States, an Italian court will examine the claims in accordance with Italian rules of civil procedure and could apply U.S. substantive laws; however, even though such an Italian court could apply U.S. substantive law, it might apply certain domestic provisions of substantive Italian law that are regarded as mandatory in an international context. In original actions brought before Italian courts there is doubt as to the enforceability of liabilities based on U.S. securities law.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Offering Circular includes "Forward Looking Statements" within the meaning of securities laws of certain jurisdictions. All statements other than statements of historical facts contained in this Offering Circular including, but not limited to, statements regarding our future financial position and results of operations, business strategy, budgets, the markets in which we operate, projected costs and plans and objectives of management for future operations, are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe" or "continue" or the negative thereof or variations thereon or similar terminology. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we do not provide any assurance with respect to such statements. Our ability to achieve our projected results is dependent on many factors which are outside management's control. Actual results may differ materially from and be more negative than those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect our expected results and is based on certain key assumptions. Factors that could cause actual results to differ materially and adversely include, but are not limited to:

- our ability to maintain a positive brand image and reputation;
- our ability to successfully operate in many countries around the world, which exposes us to various international business, regulatory and political risks;
- risk associated with the economic consequences of the earthquake, resulting tsunami and nuclear power plant crisis that struck Japan in March 2011;
- our ability to successfully expand in new or existing markets;
- exposure to currency related risks;
- our ability to identify and respond to new and changing consumer preferences;
- our ability to renew or replace existing store leases;
- the possibility that authorizations to operate our directly operated stores may be revoked, suspended or materially delayed;
- our ability to successfully increase the number of directly operated stores;
- our ability to maintain relationships with our wholesale distribution network and joint venture partners and maintain quality standards;
- potential conflicts of interest arising from the transactions we enter into with certain related parties;
- exposure to risks related to interest rate fluctuations;
- our ability to attract and retain specialized personnel;
- our ability to maintain relationships with our outside and highly skilled work force;
- production delays and ensuring quality standards with regards to production by third parties;
- risks associated with our dependency on a single conditioner and the small number of producers in the fragrances industry;
- changes in prices, quality or availability of certain raw materials that we use to produce our products;
- our ability to negotiate, maintain or renew licenses granted to us;
- our ability to protect our intellectual property, in particular, with respect to trademark infringement and product counterfeiting;
- risks associated with the ongoing tax audits and related proceedings involving our Group companies;
- adverse changes in overall economic or market conditions; and
- adverse changes to existing laws and regulations or unfavorable new laws and regulations in the markets in which we operate.

The foregoing factors and others described under "Risk Factors" should not be construed as exhaustive. We urge you to read this Offering Circular, including the sections entitled "Risk Factors," "Business" and "Management's Discussion and Analysis of Results of Operations and Financial Condition" for a more complete discussion of the factors that could affect our future performance and the industry in which we operate. You should not place undue reliance on forward-looking statements, which speak only as at the date that they were made. These cautionary statements should be considered in connection with any written or oral forward-looking statements that we may issue in the future. We do not undertake any obligation to release publicly any revisions to such forward-looking statements after the date hereof to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Statements

The Group's financial information included in this Offering Circular as at and for the years ended December 31, 2008, 2009 and 2010 has been extracted or derived from:

(i) the audited consolidated financial statements of Salvatore Ferragamo S.p.A. and its subsidiaries prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**") (the "**Audited Consolidated Financial Statements**"); and

(ii) the unaudited interim consolidated financial statements of Salvatore Ferragamo S.p.A. and its subsidiaries as at and for the three months ended March 31, 2011 and the unaudited interim consolidated financial statements as at and for the three months ended March 31, 2010 prepared in accordance with IAS 34 (the "**Unaudited Interim Consolidated Financial Statements**").

The Audited Consolidated Financial Statements and the Unaudited Interim Consolidated Financial Statements contained elsewhere in this Offering Circular should be read in conjunction with the relevant notes thereto.

Prospective investors are advised to consult their professional advisors for an understanding of: (i) the differences between IFRS and other systems of generally accepted accounting principles and how those differences might affect the financial information included in this Offering Circular and (ii) the impact that future additions to, or amendments of, IFRS principles may have on the Group's results of operations and/or financial condition, as well as on the comparability of the prior periods. In addition, prospective investors should note that interim results are not necessarily indicative of the results that may be expected for any other interim period or for a full year.

Non-IFRS Financial Measures

This Offering Circular contains certain non-IFRS financial measures, including EBITDA, net working capital, net financial indebtedness and net invested capital. In our financial statements, we define EBITDA as operating income plus (i) depreciation of property, plant and equipment, investment property, (ii) amortization of other intangible assets with definite useful life and (iii) write-downs of property, plant and equipment, investment property and other intangible assets with definite useful life and goodwill. We define net working capital (in accordance with the Committee of European Securities Regulators ("**CESR**") Recommendation 05-054/b of February 10, 2005) as inventories and trade receivables net of trade payables (excluding other current assets and liabilities and other financial assets and liabilities). We define net financial indebtedness (in accordance with CESR Recommendation 05-054/b of February 10, 2005) as the sum of total financial liabilities net of cash and cash equivalents and other current financial assets. We define net invested capital as net working capital, property, plant and equipment, investment property, other intangible assets with indefinite useful life and goodwill, other current and non-current assets net of other current and non-current liabilities.

Prospective investors should not place undue reliance on these non-IFRS financial measures and should not consider any non-IFRS financial measure as: (i) an alternative to operating income or net income as determined in accordance with IFRS; (ii) an alternative to cash flow from operating, investing or financing activities (as determined in accordance with IFRS) as a measure of the Group's ability to meet cash needs or (iii) an alternative to any other measure of performance under IFRS. These measures are not indicative of the Group's historical operating results nor are they meant to be predictive of future results. These measures are, however, used by our management to monitor the underlying performance of the Group. Since companies generally do not calculate similarly entitled non-IFRS financial measures in an identical manner, our measures may not be consistent with similar measures used by other companies and prospective investors should not place undue reliance thereon. Prospective investors should not place undue reliance on any non-IFRS financial measure.

Market information

This Offering Circular contains statements related to, among other things, the following: (i) the size of the sectors and markets in which the Group operates; (ii) growth trends in the sectors and markets in which the Group operates and (iii) our relative competitive position in the sectors and markets in which we operate as well as the position of our competitors in those same sectors and markets.

Whether or not this is stated, where such information is presented, it is based on third-party studies and surveys as well as our experience, market knowledge, accumulated data and investigation of market conditions. While we believe such information to be reliable and believe any estimates contained in this Offering Circular to be reasonable, we cannot assure you that such information or any of the assumptions underlying such estimates are accurate or correct, or that the internal surveys or information on which we have relied have been verified by any independent sources. Accordingly, undue reliance should not be placed on such information. In addition, information regarding the sectors and markets in which we operate is not always available for certain periods and, accordingly, such information may not be current as at the date of this Offering Circular.

Rounding

Certain numerical figures set out in this Offering Circular, including financial data presented in millions or thousands and certain percentages, have been subject to rounding adjustments and, as a result, the totals of the data in columns or rows of tables in this Offering Circular may vary slightly from the actual arithmetic totals of such information and from the related figures presented in our Audited Consolidated Financial Statements and our Unaudited Interim Consolidated Financial Statements.

EXCHANGE RATE

The following tables set forth, for the periods indicated, the high, low, period average and period end Bloomberg Composite Rate expressed as U.S. dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this Offering Circular. We make no representation that the U.S. dollar amounts referred to below could have been or could, in the future, be converted into Euro at any particular rate, if at all.

The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be.

The Bloomberg Composite Rate of the Euro on June 22, 2011 was $1.4237 per €1.00.

	U.S. dollars per €1.00			
	High	Low	Period average	Period end
Year				
2008	1.5809	1.2705	1.4697	1.3953
2009	1.4976	1.2716	1.3952	1.4410
2010	1.3916	1.2257	1.3211	1.3366
Month				
January 2011	1.3702	1.2925	1.3366	1.3697
February 2011	1.3823	1.3496	1.3658	1.3792
March 2011	1.4224	1.3805	1.4018	1.4190
April 2011	1.4826	1.4214	1.4461	1.4826
May 2011	1.4874	1.4041	1.4326	1.4367
June 2011 (through June 22, 2011)	1.4679	1.4163	1.4431	1.4415

SUMMARY

This summary contains basic information about the Global Offering and us. It does not contain all of the information that may be important to you. Before making an investment decision, you should read this entire Offering Circular carefully, including the consolidated financial statements and the notes thereto and the other financial information contained in this Offering Circular, as well as the risks described under "Risk Factors."

Overview

We design, produce, market and distribute footwear, leather goods, ready to wear apparel ("**RTW**"), silk products and other accessories as well as fragrances for both women and men. We also market eyewear and watches manufactured and distributed by licensed third parties. Our product lines are distinguished by their exclusivity and distinctiveness, combining a creative and innovative style with the quality and craftsmanship that characterize goods bearing the *Made in Italy* label. Since Salvatore Ferragamo founded our company in 1927, we have developed our brands and our reputation as a leading company in the luxury sector.

Our Group operates in 26 countries worldwide through a network of 312 directly operated shops ("**DOS**") as at December 31, 2010 (collectively, the "**Retail Channel**"). In addition, we distribute our products in 58 countries through 266 third-party, single-branded points of sale ("**POS**") as at December 31, 2010, as well as through multi-branded stores (collectively, the "**Wholesale Channel**"). Taking into account the Retail Channel and the Wholesale Channel, we are present in 92 countries worldwide.

In addition to our classically-inspired product lines, we derive additional revenue streams from the management of certain real estate assets owned by Group companies and from providing consulting services to Zefer S.p.A., a joint venture formed by our Group and Ermenegildo Zegna, which develops and manufactures leather footwear and accessories under the Zegna brand.

The following table shows our revenue for the periods indicated by product category.

	Year ended December 31,						Three months ended March 31,			
	2008	% of total revenue	2009	% of total revenue	2010	% of total revenue	2010	% of total revenue	2011	% of total revenue
	(€ in millions, except percentages)									
Revenue by Product Category										
Footwear	252.4	36.5%	240.5	38.8%	319.0	40.8%	64.2	38.9%	87.9	41.8%
Leather goods	222.7	32.2%	195.8	31.6%	243.7	31.2%	52.1	31.6%	64.4	30.6%
Apparel	83.5	12.1%	76.6	12.4%	90.1	11.5%	19.7	11.9%	23.3	11.1%
Accessories	68.1	9.9%	57.5	9.3%	67.4	8.6%	14.2	8.6%	16.5	7.9%
Fragrances	46.0	6.6%	35.1	5.7%	46.4	5.9%	10.9	6.6%	14.8	7.0%
Licenses and services	11.2	1.6%	6.5	1.1%	6.9	0.9%	1.7	1.0%	1.7	0.8%
Rental of investment properties	6.9	1.0%	7.6	1.2%	8.1	1.0%	2.1	1.3%	1.8	0.9%
Total	**690.8**	**100.0%**	**619.6**	**100.0%**	**781.6**	**100.0%**	**164.9**	**100.0%**	**210.4**	**100.0%**

The following table shows our revenue for the periods indicated by geographic area.

	Year ended December 31,						Three months ended March 31,			
	2008	% of total revenue	2009	% of total revenue	2010	% of total revenue	2010	% of total revenue	2011	% of total revenue
	(€ in millions, except percentages)									
Revenue by Geographic Area										
Europe	178.5	25.8%	150.9	24.3%	182.3	23.3%	41.8	25.4%	54.6	26.0%
North America	159.6	23.1%	136.1	22.0%	174.0	22.3%	35.7	21.6%	44.9	21.3%
Japan	124.4	18.0%	111.0	17.9%	126.8	16.2%	27.4	16.6%	27.6	13.1%
Asia-Pacific	202.0	29.2%	193.9	31.3%	267.9	34.3%	54.4	33.0%	75.8	36.0%
Central and South America	26.3	3.8%	27.7	4.5%	30.6	3.9%	5.6	3.4%	7.5	3.6%
Total	**690.8**	**100.0%**	**619.6**	**100.0%**	**781.6**	**100.0%**	**164.9**	**100.0%**	**210.4**	**100.0%**

The following table shows the revenue we generated in our primary markets for the year ended December 31, 2010.

	Year ended December 31, 2010	% of total revenue
	(€ in millions, except percentages)	
Revenue generated in selected territories		
United States	163.7	20.9%
Japan	126.2	16.2%
China	77.6	9.9%
Korea	72.6	9.3%
Italy	69.0	8.8%
Hong Kong	55.0	7.0%
France	26.4	3.4%
Mexico	21.5	2.8%
Taiwan	20.9	2.7%
Total	**632.9**	**81.0%**

The following table shows our revenue for the periods indicated by distribution channel and source of revenue.

	Year ended December 31,						Three months ended March 31,			
	2008	% of total revenue	2009	% of total revenue	2010	% of total revenue	2010	% of total revenue	2011	% of total revenue
	(€ in millions, except percentages)									
Distribution channel/ revenue source										
Wholesale channel	237.0	34.3%	185.0	29.9%	223.7	28.6%	51.2	31.0%	69.8	33.2%
Retail channel	435.7	63.1%	420.4	67.8%	543.0	69.5%	109.9	66.6%	137.1	65.2%
Licenses and services	11.2	1.6%	6.6	1.1%	6.9	0.9%	1.7	1.0%	1.7	0.8%
Rental of investment properties	6.9	1.0%	7.6	1.2%	8.1	1.0%	2.1	1.3%	1.8	0.9%
Total	**690.8**	**100.0%**	**619.6**	**100.0%**	**781.6**	**100.0%**	**164.9**	**100.0%**	**210.4**	**100.0%**

Key Competitive Strengths

We maintain and develop our brand and products by following the traditions of the Ferragamo name, promoting our brand through a robust advertising strategy, adhering to *Made in Italy* production standards and expanding our distribution network. We believe that our key competitive strengths are:

- **Brand heritage, synonymous with glamour, elegance, high quality craftsmanship, creativity and innovation as demonstrated by:**
  - our founder, Salvatore Ferragamo, an icon of high-end footwear;
  - our long history—80 years of classic luxury products, *Made in Italy* since our founding;
  - our innovative product line, which is highly customized and made from the finest materials;
  - our extensive archive of prior models, which we can draw upon for inspiration for new collections and models; and
  - our loyal base of famous customers in the film, theater and entertainment industries.
- **Global brand awareness supported by:**
  - excellent balance between our women's and men's collections (on average our Group derives 61% of our revenue from our women's collection and 39% from our men's collection);
  - a worldwide product distribution network, present in 92 countries, 59 of which are personalized POS in prestigious locations of the luxury sector;
  - a significant and consolidated presence in the European, American and Asian markets;

- significant media coverage (in 2010, over 2,600 pages on our Group were published in major specialized magazines worldwide); and
- monthly visits to our website from over 190 countries.

- **Superior quality throughout our product range, supported by:**
  - craftsmanship deserving of the *Made in Italy* standard carried out by many carefully selected workshops;
  - meticulous attention to quality control, from the selection of materials to the finished product;
  - expanded merchandise categories (with particular attention to developing categories with a high potential for growth and attractive profit margins) while still maintaining brand integrity and identity over time;
  - RTW products and accessories (especially crafted from silk) made with sophisticated and valuable materials that compliment our offering in the footwear and leather goods categories; and
  - carefully selected exclusive licenses granted to highly qualified and prestigious companies to produce additional products bearing our brand name.

- **Broad, diversified distribution network across various channels, including:**
  - 312 DOS, in addition to 266 third-party operated POS; we also partner with department stores on six continents through our multi-brand stores;
  - a consolidated presence of single-brand shops in prestigious locations, including: Via de' Tornabuoni in Florence, Via Montenapoleone in Milan, Old Bond Street in London, Avenue Montaigne and Rue du Faubourg St. Honoré in Paris, Ginza District in Tokyo, Canton Road in Hong Kong, Central Plaza in Shanghai, Fifth Avenue in New York, Rodeo Drive in Beverly Hills and Avenida Masaryk in Mexico City;
  - a broad digital presence with a web site available in seven languages (Italian, French, Spanish, English, Chinese, Korean and Japanese) and e-commerce functionalities directly managed by us for several European countries and the United States; and
  - a significant presence in the travel retail segment with 147 POS, 114 of which are in major airports around the world.

- **Balanced geographic exposure with a long-standing presence in both developed and emerging markets, as demonstrated by:**
  - approximately half of our yearly sales recorded in Europe and the Americas, with the other half recorded in Asia-Pacific and Japan;
  - a significant and consolidated presence in high-growth markets, especially in Asia-Pacific and Latin America; we were one of the first European luxury groups to enter the Greater China market by opening our first store in Hong Kong in 1986; as at the date hereof, we have over 50 POS in 31 cities throughout Greater China, 40% of which are DOS; in Latin America, we have 24 DOS in Mexico and one DOS in each of Argentina, Chile and St. Thomas (U.S. Virgin Islands) as well as 30 other POS throughout the region; and
  - a capacity to plan and open new DOS in strategic markets of interest (we opened 71 new DOS in the 2008-2010 period).

Our Strategy

Our strategy is to strengthen our competitive position among the leaders of the worldwide luxury market by leveraging our creativity, glamour, fine Italian craftsmanship and our heritage in the footwear and accessories categories to create value for shareholders. To achieve this strategy, we have adopted the following objectives in our 2011-2013 strategic plan:

Consolidate and maintain our position in the luxury market

We aim to consolidate and maintain our position in the global luxury sector, emphasizing the *Made in Italy* component of our product offerings which, in our opinion, distinguishes the Ferragamo brand from its competition and can justify higher margins. We believe the following steps will contribute to this goal:

- investing in traditional and digital communication and, to introduce our brand to a younger target audience, utilizing social media and digital publishing;
- expanding fragrance as an effective tool for communicating brand values and supporting our visibility with a broader consumer base; and
- formalizing and emphasizing our essential brand identity and values by disseminating our new *Brand Book* to illustrate the guidelines for implementing our marketing and communication plans.

Expand our distribution network in emerging markets and optimize our retail and wholesale sales performance worldwide

We plan to leverage our strategically balanced distribution network by channel and geographic area to take advantage of growth opportunities in emerging markets. We can improve the effectiveness of each distribution channel through:

- further expanding our presence in emerging markets, especially in Asia-Pacific and Latin America. We see major growth opportunities in Greater China, and particularly in mainland China, where we plan continued expansion of POS, even in tier 2 and tier 3 cities, as well as progressive acquisition of single-brand shops operated by third parties;
- improving our Retail Channel performance by effectively managing the product categories within shops and creating larger POS, as well as refurbishing their image, especially in established luxury markets. These initiatives will also be supported by a targeted training program for our sales force and further development of our customer relationship management system;
- continuous management of our Wholesale Channel, consolidating its presence in the most prestigious department stores in established luxury markets and utilizing the Wholesale Channel to increase market share in select emerging markets;
- focusing on the travel retail segment where we intend to maintain a preeminent position in order to cater to the typical clientele of the luxury sector, mostly comprised of travelers from key emerging markets; and
- further developing our e-commerce capabilities with scheduled launches in the primary Asia-Pacific markets, Japan and Latin America—allowing us to obtain greater profitability than through other distribution methods, reach younger consumers and better understand their preferences.

Optimize our product offerings and the composition of our collections

We believe it is possible to increase our sales volume and operating margin by managing our product offerings and the composition of our collections, in particular by:

- integrating our collections in a way that creates new purchase opportunities and satisfies the requirements of specific geographic markets, but also optimizes the pricing structure and the profitability of our collections; we will also seek to achieve this goal by introducing a limited and carefully selected number of products that should provide an entry point to the brand for a greater number of customers;
- increasing our focus on product categories that constitute our core offering (women's and men's footwear and leather goods) and that have the highest margins and projected rates of growth;
- increasing our cross-selling opportunities through greater coherence between our collections guided by a single design direction; and
- increasing product continuity and availability in our stores via a stock replenishment program aimed at automatically managing the procurement and distribution of our products.

Continue to modernize our supply chain and organizational structure to allow us to reach our operating performance goals

We will continue to leverage the flexibility of our manufacturing system, based on the integration with our external workshops in Italy with which we have consolidated and long-standing relationships. Specifically, we will focus on:

- improving our production cost structures by more efficient production planning to maximize our production capacity; and
- instituting stricter process coordination and oversight in order to streamline logistics along the entire supply chain to reduce our time to market.

Additionally, we will overhaul and further integrate the distribution systems of our Retail Channel over the next three years, particularly in major Asian markets (such as Greater China, Korea and Japan). We also intend to continue to invest in our personnel—already a major business asset—through a series of training initiatives.

The Global Offering

The information presented in the following summary of the offering and throughout this Offering Circular assumes, unless otherwise specified, that the institutional managers' overallotment option is not exercised.

Ordinary Shares outstanding before the Global Offering	168,410,000 Ordinary Shares.
Ordinary Shares outstanding after the Global Offering	168,410,000 Ordinary Shares. See "Description of Share Capital."
Global Offering	38,275,000 Offer Shares with a par value of €0.10 each, or approximately 22.73% of our share capital, consisting entirely of existing Ordinary Shares offered by our Selling Shareholder. Assuming the full exercise of the Over-Allotment Option, the Ordinary Shares offered in the Global Offering would represent 25.0% of our share capital.
Selling Shareholder	Ferragamo Finanziaria S.p.A., our principal shareholder, is offering 38,275,000 of our Ordinary Shares and may, if the Over-Allotment Option is exercised, be required to deliver up to 3,827,500 additional Ordinary Shares. See "Selling and Principal Shareholders."
Allocation of Institutional Offering . .	Up to 34,447,500 Offer Shares, or approximately 90% of the Global Offering (excluding the Over-Allotment Option) and 20.45% of our share capital, will be allocated to (i) institutional investors outside the U.S. (including Japan, in compliance with Japanese laws and regulations) in compliance with Regulation S, including "qualified investors" in Italy and (ii) QIBs in the U.S., in reliance on and as defined under Rule 144A of the Securities Act. The Institutional Offering is being underwritten by the institutional managers.
Allocation of Italian Public Offering .	At least 3,827,500 Offer Shares, or approximately 10% of the Global Offering (excluding the Over-Allotment Option) and 2.27% of our share capital, will be offered to retail investors in Italy (excluding "qualified investors," as defined by applicable Italian regulations) pursuant to a separate prospectus in the Italian language. The Italian Public Offering is being underwritten by a group of financial institutions (the "Italian Managers") pursuant to the Italian Underwriting Agreement (as defined below).
Offer Price	The offer price in the Global Offering is €9.00 per share. The offer price for the Italian Public Offering will be the same as the offer price for the Institutional Offering.
Joint Global Coordinators and Joint Bookrunners	Banca IMI S.p.A., J.P. Morgan Securities Ltd. and Mediobanca—Banca di Credito Finanziario S.p.A. are acting as Joint Global Coordinators and Joint Bookrunners of the Global Offering.
Co-Bookrunners	ICBC International Securities Limited, MPS Capital Services S.p.A. and Nomura International plc are acting as Co-Bookrunners of the Institutional Offering.
Italian Retail Lead Manager	Mediobanca—Banca di Credito Finanziario S.p.A. is acting as Italian Retail Lead Manager (*responsabile del collocamento*) of the Italian Public Offering.

Sponsor	In connection with the listing of our Ordinary Shares on the MTA, we appointed Mediobanca—Banca di Credito Finanziario S.p.A. as sponsor in accordance with Italian securities markets regulations.
Joint Lead Manager	Banca IMI S.p.A. is acting as Joint Lead Manager of the Italian Public Offering.
Share capital	As at the date of this Offering Circular, our share capital is €16,841,000 fully paid-in and divided into 168,410,000 Ordinary Shares with a par value of €0.10 per share. Immediately following the Global Offering our share capital and number of outstanding Ordinary Shares will remain unchanged. Immediately following the Global Offering (including the Over-Allotment Option) our existing shareholders will retain approximately 75.0% of our share capital. The remaining approximately 25.0% of our share capital will be held by retail and institutional investors. See "Description of Share Capital."
Over-Allotment Option	The Selling Shareholder has granted to the Joint Global Coordinators and Joint Bookrunners an option to purchase up to 3,827,500 Ordinary Shares at the offer price, to cover over-allotments, if any. This Over-Allotment Option may be exercised, in whole or in part, from the date of the Institutional Underwriting Agreement until 30 calendar days after Listing Date. In connection with this Over-Allotment Option, the Selling Shareholder has also granted the Joint Global Coordinators and Joint Bookrunners an option to borrow up to 3,827,500 Ordinary Shares. This option may be exercised, in whole or in part, from the date of the Institutional Underwriting Agreement until 30 calendar days after the Listing Date. See "Plan of Distribution."
Use of Proceeds	We will not receive any proceeds from the sale of any Offer Shares in the Global Offering, including any shares sold pursuant to the exercise of the Over-Allotment Option. The Selling Shareholder will receive all of the proceeds from the sale of the Offer Shares in the Global Offering, including any shares sold pursuant to the exercise of the Over-Allotment Option. See "Use of Proceeds."
Dividends	Holders of Ordinary Shares purchased in the Global Offering will be entitled to all dividends, if any, declared following the date of this Offering Circular. The declaration, payment and amount of any future dividend is subject to the approval of the holders of our Ordinary Shares at the annual shareholders' meeting and will be dependent upon, among other things, our financial condition, results of operations, prospects, cash flow, capital requirements and reserves, limitations on the payment of dividends contained in our financing agreements and will, in any event, be subject to applicable restrictions pursuant to Italian law. Our board of directors may approve the distribution of interim dividends in accordance with our bylaws and subject to certain limitations provided by applicable Italian law. See "Dividends and Dividend Policy" and "Description of Share Capital."
Withholding tax	Dividends payable by us to shareholders who are non-residents of Italy without permanent establishment in Italy to which the Ordinary Shares are effectively connected are subject to Italian substitute tax at the rate of 27.0%, which may be (i) reduced by applicable tax treaties or conventions, provided all the required

	conditions are met or, alternatively, (ii) refunded by the Italian tax authorities in an amount up to four-ninths of the tax paid, provided it is proven that the related dividends have been definitively taxed in the recipient's country of residence in an amount at least equal to the total refund claimed. Italy has concluded income tax conventions with over 60 countries, including all members of the European Union. See "Taxation of Ordinary Shares—Italian Taxation."
Voting rights and limitations	Under Italian law and our bylaws, each holder of Ordinary Shares is entitled to cast one vote for each share held. Holders of Ordinary Shares are entitled to vote at and attend our ordinary and extraordinary shareholders' meetings. See "Description of Share Capital."
Lock-up agreements	The Ferragamo Family and Affiliate Shareholders (as defined in "Selling and Principal Shareholders") have each undertaken, for the benefit of the Joint Global Coordinators, and the institutional managers, for a period commencing on the date of the lock-up agreements to and including the date falling 180 days after the Listing Date, directly or indirectly: (i) not to sell, transfer or otherwise dispose of our Ordinary Shares (or any other financial instruments, including participating financial instruments, granting the right to purchase, subscribe for, convert into and/or exchange for our Ordinary Shares), (ii) not to grant options, rights or warrants granting the right to purchase, subscribe for, convert into and/or exchange for our Ordinary Shares, (iii) not to enter into or carry out any swap agreement or other derivative contract that has any of the foregoing consequences (even if limited to economic consequences), except with the prior written consent of the Joint Global Coordinators, which shall not be unreasonably withheld. In addition, the Ferragamo Family and Affiliate Shareholders have each agreed, for the same period referred to above: (i) not to propose and/or approve any increase in the share capital of the Company (except in order to reconstitute the share capital pursuant to applicable laws) or any issuance of bonds or any other financial instruments (including participating financial instruments) that grant the right to purchase or subscribe for, or are convertible into and/or exchangeable for, our Shares; and (ii) not to authorize any disposal of treasury shares, if any, held by the Company, except with the prior written consent of the Joint Global Coordinators, which shall not be unreasonably withheld. The Company and the Selling Shareholder have agreed to the same restrictions referred to above until the date falling 365 days after the Listing Date. The commitments above shall not apply to: (i) the Call Option (as defined in "Selling and Principal Shareholders"); (ii) any Shares sold by the Selling Shareholder in the Global Offering or pursuant to the Over-Allotment Option; (iii) the MHL Options (as defined in "Selling and Principal Shareholders"); (iv) sales by the Selling Shareholder to the Ferragamo Family and Affiliate Shareholders pursuant to the Selling Shareholder Agreement (as defined in "Selling and Principal Shareholders") or (v) any transaction carried out in order to comply with mandatory provisions of law or regulation or orders or requests issued by a competent authority. See "Selling and Principal Shareholders" and "Plan of Distribution."

Market for listing of our Ordinary Shares	Our Ordinary Shares have been admitted for listing on the MTA. Trading is expected to commence on or about June 29, 2011. See "Securities Trading in Italy."
Our dealings in our Ordinary Shares	Subject to limits established by Italian law, we may purchase our Ordinary Shares at any time. See "Description of Share Capital—Purchase by the Company of its own Ordinary Shares."
Payment, delivery and settlement	Payment for and delivery of the Offer Shares is expected to be made on or about June 29, 2011. The Offer Shares will settle against payment in Euro through the facilities of Monte Titoli S.p.A. (a centralized securities depositary system), Clearstream Banking, *société anonyme*, and Euroclear Bank S.A./N.V. See "Securities Trading in Italy—Clearance and Settlement."
Share code	ISIN: IT0004712375.

Risk Factors

Investing in the Offer Shares involves substantial risks. In evaluating an investment in the Offer Shares, you should carefully consider all of the information provided in this Offering Circular and, in particular, the specific factors set out under "Risk Factors" beginning on page 16.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables include data extracted or derived from (i) our Audited Consolidated Financial Statements and (ii) our Unaudited Interim Consolidated Financial Statements. The summary financial information as at and for the years ended December 31, 2008, 2009 and 2010 set forth below has been derived from our Audited Consolidated Financial Statements. The summary financial information as at and for the three months ended March 31, 2010 and 2011 has been derived from our Unaudited Interim Consolidated Financial Statements. Undue reliance should not be placed on such unaudited consolidated interim financial information.

You should read the tables below in conjunction with the consolidated financial statements and accompanying notes elsewhere in this Offering Circular and the information contained in "Presentation of Financial and Other Information" and "Management's Discussion and Analysis of Results of Operations and Financial Condition."

Statement of Income

	Year ended December 31,						Three months ended March 31,			
	2008	**% of revenue**	**2009**	**% of revenue**	**2010**	**% of revenue**	**2010**	**% of revenue**	**2011**	**% of revenue**
	(€ in millions, except percentages)									
Revenues from sales and services	683.9	99.0%	612.0	98.8%	773.5	99.0%	162.8	98.7%	208.5	99.1%
Income from rental of investment properties	6.9	1.0%	7.6	1.2%	8.1	1.0%	2.1	1.3%	1.8	0.9%
Total revenue	**690.8**	**100.0%**	**619.6**	**100.0%**	**781.6**	**100.0%**	**164.9**	**100.0%**	**210.4**	**100.0%**
Cost of sales	(271.9)	39.4%	(256.1)	(41.3%)	(289.4)	(37.0%)	(62.3)	(37.8%)	(80.5)	(38.3%)
Gross profit	**419.0**	**60.6%**	**363.5**	**58.7%**	**492.2**	**63.0%**	**102.6**	**62.2%**	**129.9**	**61.7%**
Style, product development and logistics costs	(30.2)	4.4%	(24.8)	(4.0%)	(27.7)	(3.5%)	(6.4)	(3.9%)	(7.4)	(3.5%)
Selling and distribution costs	(221.3)	32.0%	(220.8)	(35.6%)	(262.5)	(33.6%)	(57.1)	(34.6%)	(66.1)	(31.4%)
Communication and marketing costs	(47.7)	6.9%	(31.5)	(5.1%)	(44.1)	(5.6%)	(10.6)	(6.4%)	(13.5)	(6.4%)
General and Administrative expenses	(56.0)	8.1%	(56.0)	(9.0%)	(66.6)	(8.5%)	(14.8)	(9.0%)	(19.5)	(9.3%)
Other operating expenses	(9.7)	1.4%	(13.6)	(2.2%)	(13.8)	(1.8%)	(2.0)	(1.2%)	(4.3)	(2.0%)
Other operating income	9.7	1.4%	19.7	3.2%	9.0	1.2%	1.5	0.9%	1.9	0.9%
Operating income	**63.8**	**9.2%**	**36.5**	**5.9%**	**86.4**	**11.1%**	**13.2**	**8.0%**	**21.0**	**10.0%**
Net financial income (expenses)	(0.4)	—	(2.1)	(0.3%)	2.4	0.3%	2.0	1.2	(5.0)	(2.4%)
Financial expenses	*(26.4)*	*3.8%*	*(18.1)*	*(2.9%)*	*(13.9)*	*(1.8%)*	*(5.6)*	*(3.4%)*	*(6.5)*	*(3.1%)*
Financial income	*26.0*	*3.8%*	*16.0*	*2.6%*	*16.3*	*2.1%*	*7.6*	*4.6%*	*1.5*	*0.7%*
Share of profit of associates	0.8	0.1%	0.4	0.1%	0.5	0.1%	0.1	0.1%	0.2	0.1%
Income before income taxes	**64.2**	**9.3%**	**34.8**	**5.6%**	**89.3**	**11.4%**	**15.3**	**9.3%**	**16.2**	**7.7%**
Income tax	(25.3)	3.7%	(49.5)	(8.0%)	(28.5)	(3.6%)	(4.5)	(2.7%)	(0.8)	(0.4%)
Net income/(loss)	**38.9**	**5.6%**	**(14.7)**	**(2.4%)**	**60.8**	**7.8%**	**10.8**	**6.5%**	**15.4**	**7.3%**
Net income/(loss) attributable to owners of the parent	29.8	4.3%	(20.9)	(3.4%)	48.9	6.3%	9.1	5.5%	12.1	5.8%
Net income attributable to non-controlling interests shareholders	9.1	1.3%	6.2	1.0%	11.9	1.5%	1.7	1.%	3.4	1.6%

Cash Flow Data

	Year ended December 31,			Three months ended March 31,	
	2008	2009	2010	2010	2011
			(€ in millions)		
Net income/loss	**38.9**	**(14.7)**	**60.8**	**10.8**	**15.5**
Net cash provided by operating activities	15.5	23.1	121.6	32.7	18.5
Net cash used in investing activities	(27.1)	(19.7)	(21.7)	(3.3)	(5.4)
Net cash provided by (used in) financing activities	22.1	(2.5)	(50.9)	(15.7)	(32.0)
Cash and cash equivalents at the beginning of the period	**64.8**	**77.1**	**77.0**	**77.0**	**132.5**
Net increase of cash and cash equivalents	10.5	0.9	49.0	13.7	(18.9)
Effect of exchange rate on cash and cash equivalents	1.7	(1.0)	6.5	5.0	(6.2)
Cash and cash equivalents at the end of the period	**77.1**	**77.0**	**132.5**	**95.7**	**107.4**

Statement of Financial Position

	As at December 31,			As at March 31, 2011
	2008	2009	2010	
		(€ in millions)		
Property, plant and equipment, investment property, goodwill and other intangible assets with indefinite useful life, intangible assets with definite useful life	134.0	127.6	130.1	124.4
Net working capital(1)	164.0	142.4	154.6	138.2
Other non-current assets/(liabilities) net	—	5.9	21.1	19.7
Other current assets/(liabilities) net	(18.3)	(2.6)	(47.1)	(63.2)
Net invested capital(2)	**279.6**	**273.3**	**258.6**	**219.1**
Shareholders' equity attributable to owners of the parent	153.9	146.6	193.1	147.1
Shareholder's equity attributable to non-controlling interests	41.6	46.7	47.4	24.4
Total shareholders' equity	**195.5**	**193.3**	**240.4**	**171.6**
Net financial indebtedness(3)	**84.0**	**80.0**	**18.2**	**47.5**
Total financing sources(4)	**279.6**	**273.3**	**258.6**	**219.1**

(1) Net working capital is calculated (in accordance with CESR Recommendation 05-054/b of February 10, 2005) as inventories and trade receivables net of trade payables (excluding other current assets and liabilities and other financial assets and liabilities). As net working capital is not an indicator defined by the accounting principles used by our Group, our method of calculating net working capital may not be strictly comparable to that used by other companies. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

(2) Net invested capital is calculated as net working capital, property, plant and equipment, investment property, other intangible assets with indefinite useful life and goodwill, other current and non-current assets net of other current and non-current liabilities. As net invested capital is not an indicator defined by the accounting principles used by our Group, our method of calculating net invested capital may not be strictly comparable to that used by other companies. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

(3) As established by CONSOB Communication DEM/6064293 of July 28, 2006, net financial indebtedness is calculated (in accordance with CESR Recommendation 05-054/b of February 10, 2005) as the sum of total financial liabilities net of cash and cash equivalents and other current financial assets. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

(4) Calculated as shareholders' equity minus net financial indebtedness.

Property, plant and equipment, investment property, other intangible assets with definite useful life and goodwill

	As at December 31, 2008	As at December 31, 2009	As at December 31, 2010	As at March 31, 2011
	(€ in millions)			
Property, plant and equipment	112.0	106.5	107.6	102.8
Investment property	7.8	7.3	7.5	7.0
Intangible assets with definite useful life	14.0	13.8	14.9	14.6
Total	**134.0**	**127.6**	**130.1**	**124.4**

Net working capital

	As at December 31, 2008	As at December 31, 2009	As at December 31, 2010	As at March 31, 2011
	(€ in millions)			
Inventories	192.2	162.3	182.8	188.6
Trade receivables	66.2	57.3	75.4	71.4
Trade payables	(94.4)	(77.3)	(103.6)	(121.8)
Total net working capital[1]	**164.0**	**142.4**	**154.6**	**138.2**

(1) Net working capital is calculated (in accordance with CESR Recommendation 05-054/b of February 10, 2005) as inventories and trade receivables net of trade payables (excluding other current assets and liabilities and other financial assets and liabilities). As net working capital is not an indicator defined by the accounting principles used by our Group, our method of calculating net working capital may not be strictly comparable to that used by other companies. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

Other non-current assets/(liabilities)

	As at December 31, 2008	As at December 31, 2009	As at December 31, 2010	As at March 31, 2011
	(€ in millions)			
Investments in associates and joint ventures	1.2	1.1	1.1	1.4
Financial assets available for sale	—	—	—	—
Other non-current assets	6.7	4.8	5.1	4.9
Other non-current financial assets	6.9	5.7	6.9	7.0
Derivative financial instruments	—	—	—	—
Deferred tax assets	51.0	55.1	61.7	61.3
Total non-current assets	**65.8**	**66.8**	**74.9**	**74.6**
Provisions for risk and charges	(23.0)	(3.9)	(5.1)	(4.9)
Employee termination indemnities	(9.7)	(9.2)	(9.3)	(9.2)
Other non-current liabilities	(26.8)	(41.4)	(33.5)	(31.6)
Deferred tax liabilities	(6.3)	(6.4)	(5.9)	(9.2)
Total non-current liabilities	**(65.9)**	**(60.9)**	**(53.8)**	**(54.9)**
Net other non-current assets	**—**	**5.9**	**21.1**	**19.7**

Other current assets/(liabilities)

	As at December 31,			As at March 31,
	2008	2009	2010	2011
	(€ in millions)			
Tax receivables	11.3	5.3	5.8	12.7
Other current assets	28.4	32.6	23.2	28.9
Total other current assets	**39.7**	**37.9**	**29.1**	**41.6**
Income taxes payable	(9.2)	(16.8)	(27.2)	(15.2)
Other current liabilities	(48.9)	(23.7)	(49.0)	(90.0)
Total other current liabilities	**(58.0)**	**(40.5)**	**(76.2)**	**(104.8)**
Net other current liabilities	**(18.3)**	**(2.6)**	**(47.1)**	**(63.2)**

Net Financial Indebtedness

	As at December 31,			As at March 31,
	2008	2009	2010	2011
	(€ in millions)			
Long-term financial liabilities(1)	(0.2)	—	—	(39.3)
Short-term financial liabilities(2)	(165.2)	(158.7)	(152.2)	(117.1)
Total financial liabilities	(165.7)	(158.7)	(152.2)	(154.4)
Cash and cash equivalents(3)	78.2	77.4	132.9	107.8
Other current financial assets(4)	3.5	1.3	1.2	1.1
Net financial indebtedness(5)	(84.0)	(80.0)	(18.2)	(47.5)

(1) On February 28, 2011, we entered into an agreement with Imaginex Holdings Limited and Imaginex Overseas Limited (“**Imaginex**,” see “Related Party and Certain Other Transactions”) pursuant to which we agreed to purchase on January 1, 2013 a portion of Imaginex’s shareholdings in Ferrimag Ltd, Ferragamo Moda Shanghai Ltd. and Ferragamo Retail Macau Ltd. for €41.2 million, thereby increasing the Group’s ownership interest in these companies to approximately 75%. As at March 31, 2011, the value of this future purchase obligation was recorded on the Group’s statement of financial position for €39.3 million.

(2) Includes provisions for the value of the put option of the non-controlling interests shareholders of Ferragamo Japan, other debt to the non-controlling interests shareholders of Ferragamo Retail India and certain loans granted by the non-controlling interests shareholder of Ferragamo Macau.

(3) Includes cash, amounts due from banks maturing in less than three months and positive bank current account balances.

(4) Includes the positive fair value of financial instruments, limited to that share designated as not used for hedging as well as government securities and shares in investment funds.

(5) As established by CONSOB Communication DEM/6064293 of July 28, 2006, net financial indebtedness is calculated (in accordance with CESR Recommendation 05-054/b of February 10, 2005) as the sum of total financial liabilities net of cash equivalents and other current financial assets. See “Presentation of Financial and Other Information—Non-IFRS Financial Measures.”

Other Financial Data

	Year ended December 31,						Three months ended March 31,			
	2008	% of revenue	2009	% of revenue	2010	% of revenue	2010	% of revenue	2011	% of revenue
	(€ in millions, except percentages)									
EBITDA[1]										
Operating income	63.8	9.2%	36.5	5.9%	86.4	11.1%	13.2	8.0%	21.0	10.0%
Depreciation of property, plant and equipment, investment property	19.8	2.9%	22.5	3.6%	23.6	3.0%	5.9	3.6%	5.5	2.6%
Amortization of other intangible assets with definite useful life	2.4	0.3%	2.6	0.4%	3.1	0.4%	0.7	0.4%	0.8	0.4%
Write-down of property, plant and equipment, investment property and other intangible assets with definite useful life and goodwill	—	—	0.2	—	—	—	—	—	—	—
EBITDA	**86.0**	**12.4%**	**61.9**	**10.0%**	**113.1**	**14.5%**	**19.8**	**12.0%**	**27.3**	**13.0%**

(1) EBITDA is measured by our management to evaluate operating performance. The breakdown of EBITDA is described in the table above. We believe that EBITDA is an important indicator for measuring the Group's performance as it is not influenced by various methods of calculating taxes, amortization or depreciation. As EBITDA is not an indicator defined by the accounting principles used by our Group, our method of calculating EBITDA may not be strictly comparable to that used by other companies. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

Certain debt and profitability ratios

	As at December 31,			As at March 31,	
	2008	2009	2010	2010	2011
Net financial indebtedness[1]/total financing sources[2]	30.1%	29.3%	7.0%	16.5%	21.7%
ROE (Group income for the relevant period/Group total shareholders' equity as at the relevant date)	20.0%	(13.9%)	28.8%	5.9%	7.1%
ROI (operating income/net invested capital)[3]	24.9%	13.2%	32.5%	5.0%	8.8%
ROS (operating income/revenue)	9.2%	5.9%	11.1%	8.0%	10.0%

(1) As established by CONSOB Communication DEM/6064293 of July 28, 2006, net financial indebtedness is calculated (in accordance with CESR Recommendation 05-054/b of February 10, 2005) as the sum of total financial liabilities net of cash and cash equivalents and other current financial assets. As net financial indebtedness is not an indicator defined by the accounting principles used by our Group, our method of calculating net financial indebtedness may not be strictly comparable to that used by other companies. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

(2) Total financing sources are calculated as shareholders' equity minus net financial indebtedness.

(3) Net invested capital is calculated as net working capital, property, plant and equipment, investment property, other intangible assets with indefinite useful life and goodwill, other current and non-current assets net of other current and non-current liabilities. As net invested capital is not an indicator defined by the accounting principles used by our Group, our method of calculating net invested capital may not be strictly comparable to that used by other companies. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

Contribution of non-controlling interests to shareholders' equity

	Year ended December 31,			Three months ended March 31,
	2008	2009	2010	2011
	(€ in millions)			
Ferragamo Japan	6.7	5.8	—	—
Ferragamo Retail India	0.6	0.3	—	—
Ferrimag	6.0	5.7	6.0	2.4
Ferragamo Retail Hong Kong	4.9	5.5	3.5	1.1
Ferragamo Retail Taiwan	1.0	1.5	2.4	0.5
Ferragamo Moda Shanghai	7.8	10.4	13.8	1.7
Ferragamo Retail Taiwan	0.8	0.7	1.3	0.7
Ferragamo Retail Macau	—	(0.1)	0.2	0.2
Ferragamo Korea	10.2	13.7	16.6	14.2
Ferragamo Singapore	1.9	1.9	1.8	1.7
Ferragamo Malaysia	1.4	1.5	2.0	2.0
Ferragamo Thailand	—	—	—	—
Ferragamo Suisse[(1)]	0.3	(0.1)	—	—
Total	**41.6**	**46.7**	**47.4**	**24.4**

(1) On January 26, 2010, our acquisition of the minority 49% equity stake in Ferragamo Suisse became effective. As a result, Ferragamo Suisse became 100% owned by us subsequent to that date.

RISK FACTORS

An investment in our Ordinary Shares is subject to a number of risks. You should consider carefully all the risks described below and the other information in this Offering Circular before deciding to invest in our Ordinary Shares. If any of the events or circumstances described below actually occur, our business, financial condition and results of operations could be materially adversely affected, and, accordingly, the value and trading price of our Ordinary Shares may decline, resulting in a loss of all or part of your investment in our Ordinary Shares. Furthermore, the risks and uncertainties described may not be the only ones we may face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations.

Risk Factors Related to Our Business

Our business is highly dependent on the image and reputation of our brand

The success of our Group is dependent on the image and reputation of our brand, which are influenced by many factors, some of which may be partially or completely out of our control. Factors that may influence the image and reputation of our brand include: (i) the actual and perceived quality, style and design of our products; (ii) our global brand awareness throughout the markets and 92 countries in which we operate and (iii) our communication and marketing activities and the strategic positioning of the products we offer.

The image and reputation of our brand may be influenced by factors attributable to our Group, such as an inability to respond adequately to the needs and expectations of our customers with regard to the quality of our products and services, or factors attributable to third parties, such as the dissemination of partial information that is untrue or defamatory or factors attributable to the parallel distribution and counterfeiting of our products. These factors could harm the image and reputation of our brand, causing us to lose customers or fail to attract new customers and/or otherwise have a material adverse effect on our business, results of operations or financial condition.

We operate in many countries around the world and, accordingly, we are exposed to various international business, regulatory and political risks

We in operate 92 countries worldwide through a direct and indirect distribution network. For the year ended December 31, 2010, 34.3% of our revenue was generated in Asia-Pacific, 23.3% was generated in Europe, 22.3% was generated in North America, 16.2% was generated in Japan and 3.9% was generated in Central and South America. In addition, our business strategy includes increasing the distribution of our products in these and other international markets.

Our operations in various international markets and our international growth strategy expose us to various risks, including those arising from: (i) competition with local competitors (which may have greater resources and/or more favorable market positions); (ii) the diversity of consumers' tastes and preferences and our failure to anticipate or respond to such tastes and preferences; (iii) changes in the political and economic environments in the countries in which we operate; (iv) changes in regulations, including tax regulations, and the imposition of new duties and/or other protectionist measures; (v) the occurrence of acts of terrorism or similar events, conflicts or situations of political instability and (vi) possible parallel importing and distribution of our products, in violation of exclusive territorial rights granted to other importers, distributors and licensees (the so-called "gray market"). These or other factors may harm our business in international markets, prevent or delay our expansion in international markets and/or cause us to incur significant costs in these markets, which, individually or in aggregate, could have a material adverse effect on our business, results of operations or financial condition.

The earthquake, resulting tsunami and nuclear power plant crisis that struck Japan in March 2011 could, both in the short- and medium-term, affect our results of operations

For the year ended December 31, 2010, 16.2% of our revenues were generated in Japan. On March 11, 2011, Japan was struck by a violent earthquake and a resulting tsunami, which caused, among other things, damage to several nuclear power plants in Japan. The consequences of this disaster are uncertain, but our future revenues could be adversely affected.

Our Japanese operations are based in Tokyo and in other major Japanese cities. All of our employees and facilities based in Japan were unharmed by this disaster and were able to continue conducting business, with the exception of one outlet, which suffered structural damage. However, it is uncertain how the costs (including social costs) of the reconstruction and other consequences that may arise from these events or their recurrence (including potential adverse effects on the Japanese economy or environment) may affect general demand for luxury goods in Japan, the demand for our products and the performance of our business. In addition, this disaster could reduce revenues in other areas of the world, including from a reduction in Japanese tourism. Any of these or other direct or indirect consequences of this disaster could have a material adverse effect on our business, results of operations or financial condition.

Our success depends on our ability to identify and respond to new and changing consumer preferences

The industry in which we operate is affected by changes in the tastes and lifestyles of our consumers. We must therefore anticipate and respond to consumer preferences in order to succeed. We may not produce merchandise that consumers perceive as high quality or we may fail to identify, anticipate or follow the changes in consumer tastes, preferences and lifestyles. In addition, the tastes of our key customers could change and our "brand premium" could decline if we are unable to maintain the strength, image and recognition of our brand or if our products do not fully meet our customers' needs and demands. Such changes in consumer tastes, preferences and lifestyles could lead to an increase in unsold products, resulting in excess inventory or obsolete products on hand. Therefore, any failure to identify and respond to new and changing consumer tastes, preferences or lifestyles could have a material adverse effect on our business, results of operations or financial condition.

Our growth strategy is dependent upon a number of factors which could strain our resources or delay or prevent our successful expansion in new or existing markets; additionally, our strategy is premised upon certain assumptions, which may prove to be inaccurate

Our ability to increase our revenue and pursue growth and development objectives depends, in part, upon our success in carrying out our strategic plan which is based, among other factors, upon: (i) strengthening our position in the luxury market by delivering products that offer classic elegance and glamour with a contemporary style in line with the times; (ii) expanding our distribution structure in emerging markets and optimizing the performance of our Retail and Wholesale Channels; (iii) optimizing our product offering and the composition of our collections and (iv) modernizing our supply chain and organizational structure. Our strategy is premised upon certain assumptions about the global economy and the evolution of demand for luxury goods in various regions of the world in which we operate or seek to operate. If we will not be able to effect our strategic plan or if our assumptions are incorrect, the strategies for our business and expansion could fail or otherwise produce unsatisfactory results, which could have a material adverse effect on our business, results of operations or financial condition.

We are exposed to currency related risks

We prepare our financial statements in Euro and we incur a significant portion of our costs in Euro (primarily those related to production and Group administration), however, our revenues are primarily recorded in the local currencies of our principal markets, mainly the Japanese Yen and the U.S. Dollar. For the year ended December 31, 2010, approximately 16% of our revenues were denominated in Japanese Yen, and approximately 26% of our revenues were denominated in U.S. Dollars. Therefore, our results may be adversely affected, and/or our competitive position may be harmed (in individual markets or overall) by currency fluctuations, particularly the depreciation of the U.S. Dollar or the Japanese Yen against the Euro. See "Management's Discussion and Analysis of Results of Operation and Financial Condition—Factors Impacting Our Results of Operations—Fluctuations in Exchange Rates." Exchange rate fluctuation can also adversely affect our competitive position vis-à-vis other operators in the luxury sector who may incur costs in other currencies with more favorable exchange rates relative to the currencies of our principal markets.

We engage in exchange rate hedging activities for our exports based on assessments of market conditions and expected trends in exchange rates. Such hedging activities consist of forward currency sales and generally cover between 50% to 90% of our exposure to various currencies. Such forward currency sales are intended to offset the risk generated by fluctuations in the exchange rates between the Euro and the following currencies: the U.S. Dollar, the Japanese Yen, the British Pound and the Mexican Peso. See "Management's Discussion and Analysis of Results of Operation and Financial Condition—Quantitative and Qualitative Disclosures about Market Risk—Financial Risk Management—Foreign exchange risk management." Any sudden or unforeseen fluctuations in exchange rates and/or any incorrect assumptions or assessments used in formulating our hedging policies could have a material adverse effect on our business, results of operations or financial condition.

In addition, because the Euro is the functional currency used in our consolidated financial statements, fluctuations in exchange rates used to translate figures in our subsidiaries' financial statements that were originally expressed in a foreign currency could have a significant impact on results, net financial indebtedness, and consolidated net shareholders' equity as expressed in Euro in our consolidated financial statements.

We are subject to certain risks related to our Retail Channel and our DOS, including risks related to the significant costs associated with our existing DOS and the expansion of our DOS network, the risk that we may not be able to renew or replace our store leases or enter into leases for new stores on favorable terms and the risk that authorizations to operate our DOS may be revoked, suspended or materially delayed

We believe that our distribution network is one of our key strengths, including our DOS both in Italy and abroad. As at December 31, 2010, we operated 312 DOS which generated total revenue of €543.0 million (or 69.5% of total revenue). Our DOS have a high level of fixed costs, including costs for personnel, lease expenses and maintenance, and, therefore, a decrease in revenue could have a material adverse effect on our business, results of operation or financial condition. Moreover, to expand our DOS network, we must take investment risk by increasing our fixed costs and entering into new multi-year lease agreements. If the increase in our DOS network does not result in sufficient sales growth, we may be required to bear increased fixed costs without increased revenue and/or we may be required to close underperforming DOS, which would require us to incur additional costs related to such closings. These costs could have a material adverse effect on our business, results of operations or financial condition.

In addition, our DOS are primarily located in properties that we lease from third parties (some of which are related parties). There is significant competition among luxury retailers to obtain commercial spaces located in the most prestigious places in the world. Thus, to renew or replace expiring lease agreements or enter into leases for new DOS, we may have to compete for such spaces with other retailers, some of which may be larger than our Group and have greater economic and financial assets than we have at our disposal. Moreover, in certain markets, we are required to obtain special licenses and/or authorizations to operate our DOS which, if revoked for any reason (including causes not within our control), could prevent us from continuing to operate or commencing to operate the affected DOS. If we are unable to renew existing contracts or renew them on commercially favorable terms, or if authorizations to operate our DOS are revoked, suspended, denied or materially delayed, it could have a material adverse effect on our business, results of operations or financial condition.

See "Management's Discussion and Analysis of Results of Operation and Financial Condition—Factors Impacting Our Results of Operations—Development of the Retail Channel."

We are dependent on our joint venture and distribution partners in some of our primary markets and, in our Wholesale Channel, we are subject to certain risks arising from points of sale operated by third parties

In certain of our primary markets, including Southeast Asia, the distribution of our products is carried out through joint ventures and distribution agreements with local operators, which in the year ended December 31, 2010, amounted to 42% of our consolidated revenue. Although we have not had significant problems in the past with our joint venture and distribution partners, the loss of one or more important commercial relationships with, or the occurrence of material disagreements with, our partners and/or a failure to develop new commercial relationships on economically favorable terms (or at all) could have a material adverse effect on our business, results of operations or financial condition.

As at December 31, 2010, we distribute our products through our Wholesale Channel in 58 countries through 266 third-party, single-branded points of sale as well as through multi-branded stores. Our Wholesale Channel generated revenue of approximately €223.7 million in 2010 or around 28.6% of our consolidated revenue in that year. In the year ended December 31, 2010, 11% of our Wholesale Channel revenue was attributable to our top 10 clients. The loss of existing commercial relationships with our primary wholesale distributors, the failure to develop new commercial relationships on economically favorable terms (or at all) or a significant decrease in Wholesale Channel revenue could have a material adverse effect on our business, results of operation or financial condition. In addition, any failure by retail stores not directly operated by us to manage their stores in a manner in line with the image and prestige of our brand or in line with any agreed contractual commitments could damage the competitive position of our brand, which could also have a material adverse effect on our business, results of operations or financial condition.

We have entered into transactions with related parties and expect to continue to do so in the future. These transactions present the potential for conflicts of interest and may not be advantageous to our shareholders

We have maintained and still maintain relationships of a commercial nature with related parties. See "Related Party and Certain Other Transactions."

For the three months ended March 31, 2011 and the years ended December 31, 2010, 2009 and 2008, transactions with related parties (including intra-Group parties) generated €0.5 million, €1.6 million, €1.4 million and €4.2 million in revenue, respectively, equivalent to approximately 0.3%, 0.2%, 0.2% and 0.6%, respectively, of total revenue and resulted in operating costs of €2.1 million, €6.5 million, €6.6 million and €6.2 million, respectively, equivalent to 1.1%, 0.9%, 1.1% and 1.0% of total operating costs, respectively. As at March 31, 2011 and as at December 31, 2010, 2009 and 2008, trade receivables with related parties amounted to €2.6 million, €1.7 million, €2.0 million and €1.8 million, respectively, equivalent to 3.6%. 2.3%, 3.5% and 2.7% of total trade receivables, respectively. As at March 31, 2011 and as at December 31, 2010, 2009 and 2008, trade payables with related parties amounted to €0.2 million, €0.2 million, €0.4 million and €0.2 million, respectively whereas other current (non-financial) debt amounted to €29.7 million, €10.8 million, €0.9 million and €1.4 million, respectively, equivalent to 28.4%, 14.1%, 2.3% and 2.5% of total other current (non-financial) debt, respectively. As at March 31, 2011, financial payables with related parties amounted to €40.2 million.

A significant portion of our operating costs that result from related party transactions are related to lease agreements we have entered into with related parties. In particular, such lease agreements related to store locations often contain provisions, based on market practice, which include variable lease payments as a function of the revenue the respective store generates. As a result of such provisions, it is difficult to quantify the total cost of the lease commitment on an *ex ante* basis. However, the fixed portion of such lease obligations is at least €10 million a year on a consolidated basis.

Certain lease agreements, such as those entered into with companies directly or indirectly controlled by our director Mr. Peter Woo, are to expire in 2011 or 2012. We are currently negotiating the renewal of some of these lease agreements, however we cannot assure you that we will be successful in renewing such lease agreements on favorable terms to us, or at all.

There can be no assurance that, had our related party transactions described above been entered into with unrelated third parties, they would have taken place under the same terms and conditions. For a full summary of these transactions, see "Related Party and Certain Other Transactions." In the future, any such transaction entered into on terms which are less favorable than those which would have been obtained from an arm's length transaction could have a material adverse effect on our business, results of operations and financial condition.

We do not have committed long-term credit lines and we are subject to risks relating to fluctuations in interest rates

As at March 31, 2011, we did not have any committed long-term credit lines or fixed rate credit lines. With respect to short-term debt, as at March 31, 2011, we had outstanding borrowings under our credit lines (including debit balances on current accounts) of €111.6 million against total available facilities of €403.7 million, of which €295.0 million are committed credit lines with fixed expiration dates and €108.7 million are uncommitted lines and payable on demand. Our financial debt consists of short-term, floating rate loans. Although sensitivity to interest rate risk is monitored at the Group level, as at the date of this Offering Circular, we are not party to any derivative instruments that hedge against interest rate risks (nor have we made use of such instruments in the past three years). Therefore, any sudden or unforeseen fluctuations in interest rates and/or any incorrect assumptions or assessments used in formulating our borrowing policies could materially increase our financial expenses and could have a material adverse effect on our business, results of operations or financial condition. See "Management's Discussion and Analysis of Results of Operation and Financial Condition—Quantitative and Qualitative Disclosures about Market Risk—Financial Risk Management—Interest rate risk management" and "Management's Discussion and Analysis of Results of Operation and Financial Condition—Liquidity and Capital Resources—Cash and Funding Sources."

We are dependent on third party manufacturers and specialized labor

We entrust our entire production process to highly specialized craftsmen located in third-party workshops. Our relationships with such third parties are not formalized with long-term contractual relationships and are non-exclusive. Instead, we place individual orders with those workshops and craftsmen with whom we have long-standing commercial relationships. It is possible, however that these third parties may, in the future, fail to perform or may discontinue their collaboration with our Group, without prior notice and/or despite obligations undertaken vis-à-vis the Group. For the year ended December 31, 2010, the top three and top five workshops with which we collaborate accounted for 21% and 29%, respectively, of our total external production. In addition, while there have been no disputes in the last three years, there can be no assurance that employees of these third parties would not, as a result of certain existing Italian employment laws and regulations, be considered employees of our Group and be entitled to the benefits that such a relationship would offer (including severance benefits in the event we terminated our collaboration with such parties).

Although we believe that we are not significantly dependent on any one manufacturer, our business may be negatively affected by interruptions in our manufacturers operations, including due to violations of law, labor disputes and/or willful misconduct. Moreover, if our commercial relationships are disrupted, we may be unable, in a commercially reasonable time, to outsource our production processes to other third parties capable of ensuring equivalent quality and production standards and/or procure their services upon the same or substantially the same financial terms, which could have a material adverse effect on our business, results of operations or financial condition. In addition, while we have established policies to prevent the sale of products bearing our name or brand by the workshops which produce merchandise for us, we cannot assure you that such policies will successfully prevent the unauthorized sale of our products to third parties; if such event were to occur, our image or the reputation of our brand could be adversely affected, which could have a material adverse effect on our business, results of operations or financial condition.

Ferragamo Parfums is dependent on a single conditioner

We operate in the perfumes sector through our subsidiary, Ferragamo Parfums. For the year ended December 31, 2010, Ferragamo Parfums recorded revenues of €46.4 million (or 5.9% of our total revenues). We manage product creation and development, but conditioning, bottling and logistics activities are entirely entrusted to the company ICR S.p.A. The perfume production sector is characterized by the presence of a small number of producers. Therefore, if ICR S.p.A. were not to perform the obligations it has undertaken vis-à-vis Ferragamo Parfums, we may be unable, in a commercially reasonable time, to replace ICR S.p.A. with another producer capable of ensuring equivalent quality and production standards and/or procure their services upon the same or substantially the same financial terms, which could have a material adverse effect on our business, results of operations or financial condition.

Fluctuations in the price or quality of, or disruptions in the availability of, raw materials used in our products could cause us to incur increased costs, disrupt our manufacturing processes or prevent or delay us from meeting our customers' demands

We require high quality raw materials in order to produce our products. The market price of the raw materials that we require for our business depends on many factors that are largely out of our control and which are very difficult to predict. In the year ended December 31, 2010, our top five suppliers furnished 22% of our raw material needs. Any supply-related pressures due to a decrease in the number of producers or suppliers of raw materials, due to shortages of these materials or due to increased competition from our competitors for raw materials could create difficulties in obtaining sufficient supplies of high quality raw materials. In addition, our suppliers could fail to provide raw materials that meet our high quality standards. This could delay our manufacturing process and/or cause us to incur increased costs to obtain raw materials of the quality we require, which could have a material adverse effect on our business, results of operations or financial condition.

Our results could be adversely affected if we are unable to negotiate, maintain or renew our license agreements

We are a party to various licensing agreements, as both licensor and licensee. See "Business— Intellectual Property and Licensing." In particular, we have entered into multi-year licensing agreements with third party licensees, including Luxottica and Timex Watches, for the manufacture and distribution of Salvatore Ferragamo branded products. For the years ended December 31, 2008, 2009 and 2010, total revenues from licenses and services were €11.2 million, €6.5 million, and €6.8 million, respectively. Our license agreement with Luxottica will expire on December 31, 2011, but on March 31, 2011, we signed a license agreement, effective from January 1, 2012, with Marchon Europe B.V., another leading eyewear manufacturer.

We are also a licensee for the development, production and distribution of Emanuel Ungaro branded perfumes. Our revenues as at December 31, 2008, 2009 and 2010 from sales of Emanuel Ungaro branded products were €7.5 million, €5.8 million and €8.6 million, respectively. If these or other licensing agreements are terminated for any reason, not renewed upon expiration or renewed but on less favorable terms and conditions, it could have a material adverse effect on our business, results of operations or financial condition.

We are dependent on the protection of our intellectual property rights

We believe that our intellectual property is essential to the success of our products and to our competitive position. We aim to protect our intellectual property assets in the jurisdictions in which we operate pursuant to applicable intellectual property laws and regulations, which protect rights related to designs, production processes and technologies, utility patents and trademarks and other distinctive marks. In this respect, we submit applications for the registration of our intellectual property in the countries in which we operate. There can be no assurance, however, that we will succeed in protecting our intellectual property rights.

With respect to patents in particular, patent rights do not prevent our competitors from developing products that are substantially equivalent to or better than our products, while not infringing our intellectual property rights. Moreover, any actions we take to establish and protect our patents, trademarks and other intellectual property rights may not be adequate to prevent counterfeiting, imitation of our products by competitors or other third parties or to prevent these persons from asserting rights in, or ownership of, our brand trademarks and other intellectual property rights. We may therefore be forced to spend significant resources to defend our intellectual property from infringement or from third party claims. In addition, should third parties register intellectual property rights which overlap with ours, or should we attempt to enter new markets where third parties have registered intellectual property rights which are similar to those which we would wish to register, we may be constrained from developing our business in such markets. Moreover, changes in law or adverse judicial or administrative judgments could deprive us of the ownership or use of one or more of our intellectual property rights, which could require us to grant licenses to or to obtain licenses from third parties, to pay damages and/or to cease production of certain merchandise benefiting from such rights. Each of the above could have a material adverse effect on our business, results of operations or financial condition.

Information in this Offering Circular about our industry, relative competitive position and the markets in which we operate may not have been independently verified and/or could be based on incorrect assumptions or estimates

We make statements and present information in this Offering Circular with respect to our industry, competitive position and the markets in which we operate. These statements and information may not have been independently verified and are based on our knowledge of the luxury sector, available data and our experience. Our market position and the evolution of the markets in which we operate may differ from those assumed in these statements due to various risks, uncertainties and other factors, including, but not limited to, those described in these Risk Factors. These statements and the information contained therein are, by their nature, subject to significant uncertainty and there can be no assurance that they will prove to be accurate in the future.

We have been, and continue to be, involved in ongoing tax audits and related proceedings in Italy and elsewhere involving our Group companies

On October 6, 2010, we were visited by Italian tax authorities with an order to perform a general tax audit for the tax years 2006 and 2008. On October 12, 2010, the audit was extended to include 2005, solely with regard to our withholding on certain services and an invoicing error related to services performed in Italy by overseas parties (this portion of the audit was subsequently resolved and we paid €35,792). On October 26, 2010, the audit was again extended to include 2007 and 2009, solely with regard to our application of withholding on certain services. Finally, on March 23, 2011 the audit was extended to 2007, 2009 and 2010 (up to October 6, 2010), with regard to our relations with Ferragamo Hong Kong Ltd and other Group companies operating in Southeast Asia. For a description of certain other audits and proceedings, see "Business—Litigation and Other Proceedings." As at the date of the Offering Circular, we do not have sufficient information to quantify the amount of any potential liabilities related to these audits and investigations and other proceedings which may be brought in the future and we do not know when such audits and proceedings will be concluded. It is possible that, as a result of these matters, the

Group could be found to owe additional taxes, including penalties and interest, which could have a material adverse effect on our business, results of operations or financial condition.

Risk Factors Related to Our Industry

The markets in which we operate are highly competitive

The markets for our products—footwear, leather goods, accessories, perfumes and ready-to-wear—are characterized by high levels of competition and the presence of a large number of established operators and new entrants, some of which have significant financial resources and/or well-known trademarks. To succeed, we must interpret and anticipate the tastes, preferences and lifestyles of our customers and anticipate changes in those tastes, preferences and lifestyles, as well as identify fashion and luxury market trends, while making high quality, desirable luxury products. Our competitors may be more successful in interpreting market trends and/or may be able to produce their products at lower costs. Our failure to compete effectively in our chosen markets, including through a failure to identify and respond to new and changing fashion trends and consumer preferences, could have a material adverse effect on our business, results of operations or financial condition.

Our business and the markets in which we operate are sensitive to overall economic conditions and factors that may influence demand

The financial crisis that began in the second half of 2008 led to deterioration in the macroeconomic conditions in many markets and a decline in consumption and industrial production worldwide. The crisis also restricted the availability of credit, reduced the level of liquidity in the financial markets and caused volatility in the stock and bond markets. In addition, the crisis in the banking system and the financial markets led, together with other factors, to an economic recession in some of the geographic markets in which we operate (such as in Italy, Spain and other European Union countries, the United States and Japan).

For the year ended December 31, 2009, we experienced a 10% decline in revenues. Although conditions have improved to some extent (in 2010 we recorded a 26% increase in revenue), should adverse economic conditions continue or worsen in one or more of our primary markets or should these markets experience political instability, disposable income and/or consumer confidence in such markets may decline, which in turn may reduce the ability and/or willingness of consumers to purchase fashion and luxury items, such as our products. These conditions could have a material adverse effect on our business, results of operations or financial condition.

New or existing laws and regulations in our domestic or international markets, or amendments thereto, may adversely affect our products or operations

We are subject to various laws and regulations in the markets in which we operate that are applicable to our business and the products we make and sell, including laws and regulations governing intellectual property rights, competition, workers' health and safety and the environment. New laws or regulations (or amendments to existing laws or regulations) may require us to modify our products or practices at significant cost or otherwise limit or prevent our activities, which could have a material adverse effect on our business, results of operations or financial condition.

In the context of commercial distribution outside of Italy, our products are often subject to duties and/or other protectionist measures affecting the importation of our products. If these duties were increased or regulations were otherwise made more restrictive or onerous, our products could be disadvantaged or we could be prevented from selling our products in important markets, which could have a material adverse effect on our business, results of operations or financial condition.

Moreover, all of the products we make and sell are *Made in Italy*, with the exception of a very few products made abroad to take advantage of local skills (e.g., "Swiss Made" watches). We believe that this characteristic currently represents a competitive advantage over competing products that cannot claim to be *Made in Italy*. A change in the regulations defining *Made in Italy* might, however, change the current requirements for the *Made in Italy* designation. If these requirements were to become stricter, we might be required to stop our use of this designation or modify our products to adapt to the new regulations. Alternatively, if the *Made in Italy* definition were made less strict, it could reduce our competitive advantage resulting from this distinction and increase the number of our competitors who use the *Made in Italy* distinction. Finally, it is possible that, in the future, the *Made in Italy* distinction, rather than representing added value, may constitute only a restriction in terms of costs and processes, by imposing higher production costs compared to other equivalent products. Any of these factors could have a material adverse effect on our business, results of operations or financial condition.

Risk Factors Related to the Global Offering

An active and liquid trading market for our Ordinary Shares may not develop; the market price of our Ordinary Shares may be volatile and investors may not be able to resell their shares for a price equal to or greater than the initial Offering Price

Prior to the Global Offering, there has been no public market for our Ordinary Shares. Following the Global Offering, our Ordinary Shares will be traded on the MTA. However, there can be no assurance that an active and liquid trading market for our Ordinary Shares will be established or maintained. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. Our Selling Shareholder will establish the offer price upon consultation with the Joint Global Coordinators, following a bookbuilding process. Such Offering Price may not be indicative of the prices that will prevail in the open market following the Global Offering. The actual market price of our Ordinary Shares may fluctuate because of several factors, including those described in these Risk Factors, may not reflect our actual operating performance and may be lower than the initial price you paid to purchase our Ordinary Shares. See "Plan of Distribution."

Following the Global Offering, our current majority shareholders will continue to own a significant percentage of our share capital and will have significant influence over us. The interests of our current shareholders could differ and may even be adverse to the interests of our remaining shareholders, including those who purchase Offer Shares in the Global Offering, following the Global Offering

Ferragamo Finanziaria holds 56.2% of our share capital and therefore controls the Company according to Italian law. Assuming that all shares offered in the Global Offering are purchased, that the Call Option (as defined in "Selling and Principal Shareholders") is exercised and that the Over-Allotment Option is fully exercised, Ferragamo Finanziaria will continue to hold 56.2% of our equity (see "Selling and Principal Shareholders"). As such, we will remain closely held and this could affect our management policies. As Ferragamo Finanziaria will continue to exercise control over us, this will be a determining factor in resolutions passed in our shareholders meetings concerning such issues as approval of our financial statements, distribution of dividends, appointment and dismissal of members of our board of directors and our board of statutory auditors, changes to our capital structure and changes to our articles of association. Ferragamo Finanziaria will be able to use these powers to vote in its own interest, which may not be in line with the interests of the remaining shareholders, including those who purchase Offer Shares in the Global Offering. These powers will also give Ferragamo Finanziaria control with respect to any potential takeover bids relating to us. The interests of Ferragamo Finanziaria could differ and even be adverse to the interests of our remaining shareholders, including those who purchase Offer Shares in the Global Offering, following the Global Offering.

Future sales of our Ordinary Shares by our principal shareholders or the perception that such sales may occur could adversely affect the price of our Ordinary Shares, even if our business is doing well

Pursuant to agreements entered into in connection with the Global Offering, the Company, the Selling Shareholder and the Ferragamo Family and Affiliate Shareholders (as defined in "Selling and Principal Shareholders") have agreed with the institutional managers, subject to certain exceptions, including the prior written consent of the institutional managers (which will not be unreasonably withheld), to refrain from selling, pledging or other disposing of or transferring their respective holdings of Ordinary Shares (and other securities exchangeable or convertible into Ordinary Shares) during the period commencing on the signing date of the lock-up agreement and ending, in the case of the Ferragamo Family and Affiliate Shareholders, 180 days after the Listing Date, and in the case of the Company and the Selling Shareholder, 365 days after such date. See "Selling and Principal Shareholders" and "Plan of Distribution."

In addition, on February 28, 2011, Ferragamo Finanziaria sold to Majestic Honour Limited ("**MHL**") 8% of our Ordinary Shares for a price of €93 million. Pursuant to the purchase and sale agreement, MHL undertook to, among other things, not sell, assign, pledge or otherwise encumber nor grant preemptive rights, options or other third party rights, without the prior consent of Ferragamo Finanziaria, on the

Ordinary Shares acquired pursuant to the sales agreement for a period of three years from the Listing Date (but in any case no later than December 31, 2014).

Following the expiration of these lock-up periods, our Group and the shareholders described above will be free to trade in our Ordinary Shares. If we, our principal shareholders, directors or key managers decide to sell a significant number of our Ordinary Shares or if there is a market perception that any such transactions are likely to occur, the market price of our Ordinary Shares could decline. See "Principal Shareholders—Lock up Agreements."

Our relationship with Banca IMI S.p.A. may present conflicts of interest

Banca IMI S.p.A., a subsidiary of Intesa Sanpaolo S.p.A. ("**Intesa Sanpaolo**"), will act as a Joint Global Coordinator in the Global Offering and as a Joint Bookrunner in the Institutional Offering, as well as Joint Lead Manager for the Italian Public Offering and, pursuant to such roles, will underwrite, along with other intermediaries, the placement of the Offer Shares being offered in the Global Offering. For each role, Banca IMI S.p.A. will be paid customary fees and commissions. As a result of these relationships, Banca IMI S.p.A. faces a potential conflict of interest in connection with its two roles in the Global Offering. In addition, Intesa Sanpaolo is a lender to the Group with respect to various of the Group's lines of credit. See "Plan of Distribution" and "Management's Discussion and Analysis of Results of Operation and Financial Condition—Liquidity and Capital Resources."

We are incorporated in Italy and, as a result, it may not be possible for shareholders to enforce civil liability provisions of the securities laws of the United States against us or our officers and directors

We are incorporated under the laws of Italy and the majority of our assets and all of our directors and officers are located outside of the United States. As a result, it may not be possible for the holders of our Ordinary Shares to effect service of process upon our directors or officers within the United States or to enforce against us or our directors or officers in the United States court judgments based on the civil liability provisions of the securities laws of the United States.

Investors from countries that do not use the Euro as their currency face an additional risk due to changes in currency exchange rates

Our Ordinary Shares will be denominated in Euro and any future payment of dividends on the Ordinary Shares will be made only in Euro. The Euro has appreciated recently with respect to principal world currencies, including the U.S. Dollar. The amount you will receive in U.S. Dollars or any other currency as a result of payment of dividends or the sale of your Ordinary Shares can be adversely affected by variations in the rate of exchange.

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of any Offer Shares by the Selling Shareholder completed as a part of the Global Offering, including any shares sold pursuant to the exercise of the Over-Allotment Option. The Selling Shareholder will receive all of the proceeds from the sale of the Offer Shares in the Global Offering, including any shares sold pursuant to the exercise of the Over-Allotment Option. See "Selling and Principal Shareholders."

CAPITALIZATION

The following table sets forth our cash and cash equivalents, short-term debts, and consolidated capitalization as of March 31, 2011 on an actual basis. The sale of the Offer Shares will not affect our capitalization, as we will not receive any of the proceeds from the sale of such Offer Shares. The Selling Shareholder will receive all of the proceeds from the Global Offering.

You should read this table in conjunction with "Use of Proceeds," "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Results of Operation and Financial Condition" and our consolidated financial statements (and the notes thereto) included elsewhere in this Offering Circular.

	As at March 31, 2011
	Actual
	(unaudited) (€ in millions)
Cash and cash equivalents	**107.8**
Short-term debt	**117.1**
Current portion of long-term debt	—
Long-term portion of long-term debt(1)	39.3
Total long-term debt	**39.3**
Total shareholders' equity attributable to owners of the parent	147.1
Total shareholders' equity attributable to non-controlling interests	24.4
Total shareholders' equity(2)	**171.5**
Total capitalization(3)	**210.8**

(1) On February 28, 2011, we entered into an agreement with Imaginex Holdings Limited and Imaginex Overseas Limited ("**Imaginex**," see "Related Party and Certain Other Transactions") pursuant to which we agreed to purchase on January 1, 2013 a portion of Imaginex's shareholdings in Ferrimag Ltd, Ferragamo Moda Shanghai Ltd. and Ferragamo Retail Macau Ltd. for €41.2 million, thereby increasing the Group's ownership interest in these companies to approximately 75%. As at March 31, 2011, the value of this future purchase obligation was recorded on the Group's statement of financial position for €39.3 million.

(2) Reflects a deduction for dividends in a total amount of €44.9 million of which €24.0 million related to owners of the parent (approved by our ordinary shareholders meeting on March 30, 2011 and paid on April 29, 2011) and €20.9 million related to non-controlling interests shareholders. See "Dividends and Dividend Policy."

(3) Total capitalization represents total long-term debt plus total shareholders' equity.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables include data extracted or derived from (i) our Audited Consolidated Financial Statements and (ii) our Unaudited Interim Consolidated Financial Statements. The summary financial information as at and for the years ended December 31, 2008, 2009 and 2010 set forth below has been derived from our Audited Consolidated Financial Statements. The summary financial information as at and for the three months ended March 31, 2010 and 2011 has been derived from our Unaudited Interim Consolidated Financial Statements. Undue reliance should not be placed on such unaudited consolidated interim financial information.

You should read the tables below in conjunction with the consolidated financial statements and accompanying notes elsewhere in this Offering Circular and the information contained in "Presentation of Financial and Other Information" and "Management's Discussion and Analysis of Results of Operations and Financial Condition."

Statement of Income

	Year ended December 31,						Three months ended March 31,			
	2008	% of revenue	2009	% of revenue	2010	% of revenue	2010	% of revenue	2011	% of revenue
	(€ in millions, except percentages)									
Revenues from sales and services	683.9	99.0%	612.0	98.8%	773.5	99.0%	162.8	98.7%	208.5	99.1%
Income from rental of investment properties	6.9	1.0%	7.6	1.2%	8.1	1.0%	2.1	1.3%	1.8	0.9%
Total revenue	**690.8**	**100.0%**	**619.6**	**100.0%**	**781.6**	**100.0%**	**164.9**	**100.0%**	**210.4**	**100.0%**
Cost of sales	(271.9)	39.4%	(256.1)	(41.3%)	(289.4)	(37.0%)	(62.3)	(37.8%)	(80.5)	(38.3%)
Gross profit	**419.0**	**60.6%**	**363.5**	**58.7%**	**492.2**	**63.0%**	**102.6**	**62.2%**	**129.9**	**61.7%**
Style, product development and logistics costs	(30.2)	4.4%	(24.8)	(4.0%)	(27.7)	(3.5%)	(6.4)	(3.9%)	(7.4)	(3.5%)
Selling and distribution costs	(221.3)	32.0%	(220.8)	(35.6%)	(262.5)	(33.6%)	(57.1)	(34.6%)	(66.1)	(31.4%)
Communication and marketing costs	(47.7)	6.9%	(31.5)	(5.1%)	(44.1)	(5.6%)	(10.6)	(6.4%)	(13.5)	(6.4%)
General and Administrative expenses	(56.0)	8.1%	(56.0)	(9.0%)	(66.6)	(8.5%)	(14.8)	(9.0%)	(19.5)	(9.3%)
Other operating expenses	(9.7)	1.4%	(13.6)	(2.2%)	(13.8)	(1.8%)	(2.0)	(1.2%)	(4.3)	(2.0%)
Other operating income	9.7	1.4%	19.7	3.2%	9.0	1.2%	1.5	0.9%	1.9	0.9%
Operating income	**63.8**	**9.2%**	**36.5**	**5.9%**	**86.4**	**11.1%**	**13.2**	**8.0%**	**21.0**	**10.0%**
Net financial income (expenses)	(0.4)	—	(2.1)	(0.3%)	2.4	0.3%	2.0	1.2	(5.0)	(2.4%)
Financial expenses	*(26.4)*	*3.8%*	*(18.1)*	*(2.9%)*	*(13.9)*	*(1.8%)*	*(5.6)*	*(3.4%)*	*(6.5)*	*(3.1%)*
Financial income	*26.0*	*3.8%*	*16.0*	*2.6%*	*16.3*	*2.1%*	*7.6*	*4.6%*	*1.5*	*0.7%*
Share of profit of associates	0.8	0.1%	0.4	0.1%	0.5	0.1%	0.1	0.1%	0.2	0.1%
Income before income taxes	**64.2**	**9.3%**	**34.8**	**5.6%**	**89.3**	**11.4%**	**15.3**	**9.3%**	**16.2**	**7.7%**
Income tax	(25.3)	3.7%	(49.5)	(8.0%)	(28.5)	(3.6%)	(4.5)	(2.7%)	(0.8)	(0.4%)
Net income/(loss)	**38.9**	**5.6%**	**(14.7)**	**(2.4%)**	**60.8**	**7.8%**	**10.8**	**6.5%**	**15.4**	**7.3%**
Net income/(loss) attributable to owners of the parent	29.8	4.3%	(20.9)	(3.4%)	48.9	6.3%	9.1	5.5%	12.1	5.8%
Net income attributable to non-controlling interests shareholders	9.1	1.3%	6.2	1.0%	11.9	1.5%	1.7	1.%	3.4	1.6%

Cash Flow Data

	Year ended December 31,			Three months ended March 31,	
	2008	2009	2010	2010	2011
			(€ in millions)		
Net income/loss	**38.9**	**(14.7)**	**60.8**	**10.8**	**15.5**
Net cash provided by operating activities	15.5	23.1	121.6	32.7	18.5
Net cash used in investing activities	(27.1)	(19.7)	(21.7)	(3.3)	(5.4)
Net cash provided by/(used in) financing activities	22.1	(2.5)	(50.9)	(15.7)	(32.0)
Cash and cash equivalents at the beginning of the period	**64.8**	**77.1**	**77.0**	**77.0**	**132.5**
Net increase of cash and cash equivalents	10.5	0.9	49.0	13.7	(18.9)
Effect of exchange rate on cash and cash equivalents	1.7	(1.0)	6.5	5.0	(6.2)
Cash and cash equivalents at the end of the period	**77.1**	**77.0**	**132.5**	**95.7**	**107.4**

Statement of Financial Position

	As at December 31,			As at March 31,
	2008	2009	2010	2011
		(€ in millions)		
Property, plant and equipment, investment property, goodwill and other intangible assets with indefinite useful life, intangible assets with definite useful life	134.0	127.6	130.1	124.4
Net working capital[(1)]	164.0	142.4	154.6	138.2
Other non-current assets/(liabilities) net	—	5.9	21.1	19.7
Other current assets/(liabilities) net	(18.3)	(2.6)	(47.1)	(63.2)
Net invested capital[(2)]	**279.6**	**273.3**	**258.6**	**219.1**
Shareholders' equity attributable to owners of the parent	153.9	146.6	193.1	147.1
Shareholder's equity attributable to non-controlling interests	41.6	46.7	47.4	24.4
Total shareholders' equity	**195.5**	**193.3**	**240.4**	**171.6**
Net financial indebtedness[(3)]	**84.0**	**80.0**	**18.2**	**47.5**
Total financing sources[(4)]	**279.6**	**273.3**	**258.6**	**219.1**

(1) Net working capital is calculated (in accordance with CESR Recommendation 05-054/b of February 10, 2005) as inventories and trade receivables net of trade payables (excluding other current assets and liabilities and other financial assets and liabilities). As net working capital is not an indicator defined by the accounting principles used by our Group, our method of calculating net working capital may not be strictly comparable to that used by other companies. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

(2) Net invested capital is calculated as net working capital, property, plant and equipment, investment property, other intangible assets with indefinite useful life and goodwill, other current and non-current assets net of other current and non-current liabilities. As net invested capital is not an indicator defined by the accounting principles used by our Group, our method of calculating net invested capital may not be strictly comparable to that used by other companies. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

(3) As established by CONSOB Communication DEM/6064293 of July 28, 2006, net financial indebtedness is calculated (in accordance with CESR Recommendation 05-054/b of February 10, 2005) as the sum of total financial liabilities net of cash and cash equivalents and other current financial assets. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

(4) Calculated as shareholders' equity minus net financial indebtedness.

Property, plant and equipment, investment property, other intangible assets with definite useful life and goodwill

	As at December 31,			As at March 31,
	2008	2009	2010	2011
		(€ in millions)		
Property, plant and equipment	112.0	106.5	107.6	102.8
Investment property	7.8	7.3	7.5	7.0
Intangible assets with definite useful life	14.0	13.8	14.9	14.6
Total	**134.0**	**127.6**	**130.1**	**124.4**

Net working capital

	As at December 31,			As at March 31,
	2008	2009	2010	2011
		(€ in millions)		
Inventories	192.2	162.3	182.8	188.6
Trade receivables	66.2	57.3	75.4	71.4
Trade payables	(94.4)	(77.3)	(103.6)	(121.8)
Total net working capital(1)	**164.0**	**142.4**	**154.6**	**138.2**

(1) Net working capital is calculated (in accordance with CESR Recommendation 05-054/b of February 10, 2005) as inventories and trade receivables net of trade payables (excluding other current assets and liabilities and other financial assets and liabilities). As net working capital is not an indicator defined by the accounting principles used by our Group, our method of calculating net working capital may not be strictly comparable to that used by other companies. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

Other non-current assets/(liabilities)

	As at December 31,			As at March 31,
	2008	2009	2010	2011
		(€ in millions)		
Investments in associates and joint ventures	1.2	1.1	1.1	1.4
Financial assets available for sale	—	—	—	—
Other non-current assets	6.7	4.8	5.1	4.9
Other non-current financial assets	6.9	5.7	6.9	7.0
Derivative financial instruments	—	—	—	—
Deferred tax assets	51.0	55.1	61.7	61.3
Total non-current assets	**65.8**	**66.8**	**74.9**	**74.6**
Provisions for risk and charges	(23.0)	(3.9)	(5.1)	(4.9)
Employee termination indemnities	(9.7)	(9.2)	(9.3)	(9.2)
Other non-current liabilities	(26.8)	(41.4)	(33.5)	(31.6)
Deferred tax liabilities	(6.3)	(6.4)	(5.9)	(9.2)
Total non-current liabilities	**(65.9)**	**(60.9)**	**(53.8)**	**(54.9)**
Net other non-current assets	**—**	**5.9**	**21.1**	**19.7**

Other current assets/(liabilities)

	As at December 31,			As at March 31,
	2008	2009	2010	2011
	(€ in millions)			
Tax receivables	11.3	5.3	5.8	12.7
Other current assets	28.4	32.6	23.2	28.9
Total other current assets	**39.7**	**37.9**	**29.1**	**41.6**
Income taxes payable	(9.2)	(16.8)	(27.2)	(15.2)
Other current liabilities	(48.9)	(23.7)	(49.0)	(90.0)
Total other current liabilities	**(58.0)**	**(40.5)**	**(76.2)**	**(104.8)**
Net other current liabilities	**(18.3)**	**(2.6)**	**(47.1)**	**(63.2)**

Net Financial Indebtedness

	As at December 31,			As at March 31,
	2008	2009	2010	2011
	(€ in millions)			
Long-term financial liabilities(1)	(0.2)	—	—	(39.3)
Short-term financial liabilities(2)	(165.2)	(158.7)	(152.2)	(117.1)
Total financial liabilities	**(165.7)**	**(158.7)**	**(152.2)**	**(154.4)**
Cash and cash equivalents(3)	78.2	77.4	132.9	107.8
Other current financial assets(4)	3.5	1.3	1.2	1.1
Net financial indebtedness(5)	**(84.0)**	**(80.0)**	**(18.2)**	**(47.5)**

(1) On February 28, 2011, we entered into an agreement with Imaginex Holdings Limited and Imaginex Overseas Limited ("**Imaginex**," see "Related Party and Certain Other Transactions") pursuant to which we agreed to purchase on January 1, 2013 a portion of Imaginex's shareholdings in Ferrimag Ltd, Ferragamo Moda Shanghai Ltd. and Ferragamo Retail Macau Ltd. for €41.2 million, thereby increasing the Group's ownership interest in these companies to approximately 75%. As at March 31, 2011, the value of this future purchase obligation was recorded on the Group's statement of financial position for €39.3 million.

(2) Includes provisions for the value of the put option of the non-controlling interests shareholders of Ferragamo Japan, other debt to the non-controlling interests shareholders of Ferragamo Retail India and certain loans granted by the non-controlling interests shareholder of Ferragamo Macau.

(3) Includes cash, amounts due from banks maturing in less than three months and positive bank current account balances.

(4) Includes the positive fair value of financial instruments, limited to that share designated as not used for hedging as well as government securities and shares in investment funds.

(5) As established by CONSOB Communication DEM/6064293 of July 28, 2006, net financial indebtedness is calculated (in accordance with CESR Recommendation 05-054/b of February 10, 2005) as the sum of total financial liabilities net of cash and cash equivalents and other current financial assets. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

Other Financial Data

	Year ended December 31,						Three months ended March 31,			
	2008	% of revenue	2009	% of revenue	2010	% of revenue	2010	% of revenue	2011	% of revenue
	(€ in millions, except percentages)									
EBITDA[1]										
Operating income	**63.8**	**9.2%**	**36.5**	**5.9%**	**86.4**	**11.1%**	**13.2**	**8.0%**	**21.0**	**10.0%**
Depreciation of property, plant and equipment, investment property	19.8	2.9%	22.5	3.6%	23.6	3.0%	5.9	3.6%	5.5	2.6%
Amortization of other intangible assets with definite useful life	2.4	0.3%	2.6	0.4%	3.1	0.4%	0.7	0.4%	0.8	0.4%
Write-down of property, plant and equipment, investment property and other intangible assets with definite useful life and goodwill	—	—	0.2	—	—	—	—	—	—	—
EBITDA	**86.0**	**12.4%**	**61.9**	**10.0%**	**113.1**	**14.5%**	**19.8**	**12.0%**	**27.3**	**13.0%**

(1) EBITDA is measured by our management to evaluate operating performance. The breakdown of EBITDA is described in the table above. We believe that EBITDA is an important indicator for measuring the Group's performance as it is not influenced by various methods of calculating taxes, amortization or depreciation. As EBITDA is not an indicator defined by the accounting principles used by our Group, our method of calculating EBITDA may not be strictly comparable to that used by other companies. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

Certain debt and profitability ratios

	As at December 31,			As at March 31,	
	2008	2009	2010	2010	2011
Net financial indebtedness[1]/total financing sources[2]	30.1%	29.3%	7.0%	16.5%	21.7%
ROE (Group income for the relevant period/Group total shareholders' equity as at the relevant date)	20.0%	(13.9%)	28.8%	5.9%	7.1%
ROI (operating income/net invested capital)[3]	24.9%	13.2%	32.5%	5.0%	8.8%
ROS (operating income/revenue)	9.2%	5.9%	11.1%	8.0%	10.0%

(1) As established by CONSOB Communication DEM/6064293 of July 28, 2006, net financial indebtedness is calculated (in accordance with CESR Recommendation 05-054/b of February 10, 2005) as the sum of total financial liabilities net of cash and cash equivalents and other current financial assets. As net financial indebtedness is not an indicator defined by the accounting principles used by our Group, our method of calculating net financial indebtedness may not be strictly comparable to that used by other companies. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

(2) Total financing sources are calculated as shareholders' equity minus net financial indebtedness.

(3) Net invested capital is calculated as net working capital, property, plant and equipment, investment property, other intangible assets with indefinite useful life and goodwill, other current and non-current assets net of other current and non-current liabilities. As net invested capital is not an indicator defined by the accounting principles used by our Group, our method of calculating net invested capital may not be strictly comparable to that used by other companies. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

Contribution of non-controlling interests to shareholders' equity

	Year ended December 31,			Three months ended March 31,
	2008	2009	2010	2011
		(€ in millions)		
Ferragamo Japan	6.7	5.8	—	—
Ferragamo Retail India	0.6	0.3	—	—
Ferrimag	6.0	5.7	6.0	2.4
Ferragamo Retail Hong Kong	4.9	5.5	3.5	1.1
Ferragamo Retail Taiwan	1.0	1.5	2.4	0.5
Ferragamo Moda Shanghai	7.8	10.4	13.8	1.7
Ferragamo Retail Taiwan	0.8	0.7	1.3	0.7
Ferragamo Retail Macau	—	(0.1)	0.2	0.2
Ferragamo Korea	10.2	13.7	16.6	14.2
Ferragamo Singapore	1.9	1.9	1.8	1.7
Ferragamo Malaysia	1.4	1.5	2.0	2.0
Ferragamo Thailand	—	—	—	—
Ferragamo Suisse[1]	0.3	(0.1)	—	—
Total	**41.6**	**46.7**	**47.4**	**24.4**

(1) On January 26, 2010, our acquisition of the minority 49% equity stake in Ferragamo Suisse became effective. As a result, Ferragamo Suisse became 100% owned by us subsequent to that date.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

We encourage you to read the following discussion in conjunction with the sections entitled "Selected Consolidated Financial Data" as well as with our consolidated financial statements and the related notes thereto included elsewhere in this Offering Circular.

The discussion below compares our results of operations (i) as at, and for the three months ended March 31, 2010 and 2011, (ii) as at, and for the years ended December 31, 2009 and December 31, 2010 and (iii) as at, and for the years ended December 31, 2008 and December 31, 2009, all prepared in accordance with IFRS. Our financial statements as at, and for the years ended December 31, 2008, 2009 and 2010 have been audited. Our financial statements as at, and for the three months ended March 31, 2010 and 2011 prepared in accordance with IAS 34 have not been audited. Interim results are not necessarily indicative of the results that may be expected for any other interim period or for a full year.

The following discussion includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of some of those risks and uncertainties please refer to the sections entitled "Forward-Looking Statements" and "Risk Factors."

Overview

We design, produce, market and distribute footwear, leather goods, ready to wear apparel ("**RTW**"), silk products and other accessories as well as fragrances for both women and men. We also market eyewear and watches manufactured and distributed by licensed third parties. Our product lines are distinguished by their exclusivity and distinctiveness, combining a creative and innovative style with the quality and craftsmanship that characterize goods bearing the *Made in Italy* label. Since Salvatore Ferragamo founded our company in 1927, we have developed our brands and our reputation as a leading company in the luxury sector.

Our Group operates in 26 countries worldwide through a network of 312 directly operated shops ("**DOS**") as at December 31, 2010 (collectively, the "**Retail Channel**"). In addition, we distribute our products in 58 countries through 266 third-party, single-branded points of sale ("**POS**") as at December 31, 2010, as well as through multi-branded stores (collectively, the "**Wholesale Channel**"). Taking into account the Retail Channel and the Wholesale Channel, we are present in 92 countries worldwide.

In addition to our classically-inspired product lines, we derive additional revenue streams from the management of certain real estate assets owned by Group companies and from providing consulting services to Zefer S.p.A., a joint venture formed by our Group and Ermenegildo Zegna, which develops and manufactures leather footwear and accessories under the Zegna brand.

Factors Impacting Our Results of Operations

Recovery from the global financial crisis

Revenue for the Group increased by €162.0 million, or 26.1%, to €781.6 million in 2010 from €619.6 million in 2009, as compared to a decrease of €71.2 million, or 10.3%, from €690.8 million in 2008. The effects of the global financial crisis affected our performance in 2008 and 2009 as consumer confidence declined and many people cancelled or postponed certain purchases or otherwise modified their spending habits. The contraction was felt around the world, particularly in developed markets. See "Industry Overview." Our strong 2010 performance reflected the Group's sound market position, which allowed us to take advantage of the recovery from the global financial crisis and a general return in consumer confidence, particularly in the luxury sector.

Fluctuations in exchange rates

A significant portion of our Group's operations are in international (non-Euro) markets, where we use various currencies other than Euro to record our income and expenses, mainly the U.S. Dollar and the Japanese Yen. As a result, we are exposed to both transaction and translation exchange rate risk. See "—Financial Risk Management—Currency Translation Risk" and "—Financial Risk Management—Effects of Foreign Currency Exchange Rate Exposure." The following currency fluctuations affected our financial results in the past three years (all expressed in average exchange rate per year against the Euro, our functional currency): the U.S. Dollar depreciated 7.3% and the Japanese Yen appreciated 5.5% in 2008; the U.S. Dollar and the Japanese Yen appreciated, respectively, 5.2% and 14.5% in 2009; and the U.S. Dollar and Japanese Yen appreciated, respectively, 4.9% and 10.8% in 2010. The percentage of revenue in Japanese Yen and U.S. Dollars in the years ended December 31, 2008, 2009 and 2010 are shown in the table below.

	Year ended December 31,		
	2008	**2009**	**2010**
Japanese Yen	17%	17%	16%
U.S. Dollar	29%	27%	26%
Total	**46%**	**45%**	**42%**

The table below shows the Euro/Japanese Yen and the Euro/U.S. dollar exchange rates as at December 31, 2008, 2009 and 2010 used to calculate the constant exchange rate figures in this management's discussion.

	Year ended December 31,		
	2008	**2009**	**2010**
Euro/Japanese Yen	126.14	133.16	108.65
Euro/U.S. Dollar	1.3917	1.4406	1.3362

The table below shows the increases/(decreases) in revenue originally realized in Yen and U.S. Dollars for the years ended 2008, 2009 and 2010 at actual and constant exchange rates.

	% change 2009–08	**% change 2010–09**
Revenue at actual exchange rates	(9.5%)	17.2%
Revenue at constant exchange rates	(17.3%)	8.6%

As the above table shows, appreciation of the U.S. Dollar and the Japanese Yen in 2009 partially offset the decline in revenue in those currencies, so that the 17.3% decline in revenue that would have occurred (at constant exchange rates) was reduced to a 9.5% decline (at actual exchange rates). Similarly, the appreciation of the U.S. Dollar and the Japanese Yen in 2010 increased our revenue in 2010, from the 8.6% increase in U.S. Dollar and the Japanese Yen revenue (at constant exchange rates) to the 17.2% increase (at actual exchange rates).

While our revenue is denominated mainly in the local currencies of the respective markets, a significant portion of our costs are denominated in Euro, mainly related to production and to our corporate headquarters and related functions. Our policies for managing the foreign exchange risks which arise from operating in markets that use currencies other than the Euro is described in "—Management of Financial Risks—Foreign Exchange Risk Management."

Development of the Retail Channel

Our distribution network is divided between two sales channels, retail and wholesale. During the three-year period from 2008 to 2010 our retail channel grew significantly. Our retail channel consists of directly operated stores ("**DOS**") that we manage (the "**Retail Channel**") while our wholesale channel consists primarily of personalized single brand stores or spaces operated by third parties together with third party multi-brand department stores and shops operated by third parties (the "**Wholesale Channel**"). See "Business—Overview" and "Business—Distribution and Sale Channels."

In 2010, our Retail and Wholesale Channels accounted for, respectively, 69.5% and 28.6% of our total revenue and in 2009 our Retail and Wholesale Channels accounted for, respectively, 67.9% and 29.9% of our total revenue. In the past three years, we have pursued a policy of growing the Retail Channel, which we believe provides a more effective relationship with customers and greater control over our sales than the Wholesale Channel. We have achieved growth by selectively opening new DOS in markets where our Retail Channel is already present and by establishing new companies and joint ventures in markets which we believe justify a direct presence because of their development and/or potential for growth. The number of DOS that we operate in Italy and abroad is one of the key measures for determining the success of our growth strategy. Over the course of 2008, 2009 and 2010 net DOS openings were, respectively, 21, 26 and 13.

The table below sets forth the breakdown of our revenue by distribution and sale channel for the periods indicated.

	Year ended December 31,					
	2008	(% of revenue)	2009	(% of revenue)	2010	(% of revenue)
	(€ in millions, except percentages)					
Wholesale Channel	237.0	34.3%	185.0	29.9%	223.7	28.6%
Retail Channel	435.7	63.1%	420.4	67.9%	543.0	69.5%
Total[(1)]	**672.7**	**97.4%**	**605.4**	**97.8%**	**766.7**	**98.1%**

(1) Figures do not add up to 100.0% because we also generate revenue from (i) licenses and services (relates mainly to licenses granted for use of the Ferragamo trademark, primarily for eyewear (Luxottica) and timepieces (Timex), and other fees for technical consulting provided to Zefer S.p.A.) and (ii) rental of investment properties (real property located in the United States and leased/subleased to third parties). See "Business—Overview."

The table below sets forth the net growth in terms of new DOS openings and closings of our Retail Channel by region for the periods indicated.

	Year ended December 31,			
	2008	2009	2010	Total
Net DOS openings				
Europe	6	3	1	10
Japan	2	(2)	2	2
Asia-Pacific	5	19	8	32
of which China	*1*	*11*	*4*	*16*
North America	5	4	2	11
Latin America	3	2	—	5
Total	**21**	**26**	**13**	**60**

To show the contribution that our new DOS added to revenue growth, the table below shows the increases/(decreases) in Retail Channel revenue from 2008 to 2010 at constant exchange rates and on a constant store basis (number of DOS).

	Growth rate (in %)			
	2009 vs. 2008		2010 vs. 2009	
	At constant exchange rates	with constant DOS	At constant exchange rates	with constant DOS
Retail Channel	(4.0%)	(8.3%)	18.4%	14.0%

As the table above shows, the net openings of new DOS contributed to the increase in revenue from the Retail Channel in 2010 and 2009 by 4.4% and 4.3%, respectively.

Seasonality

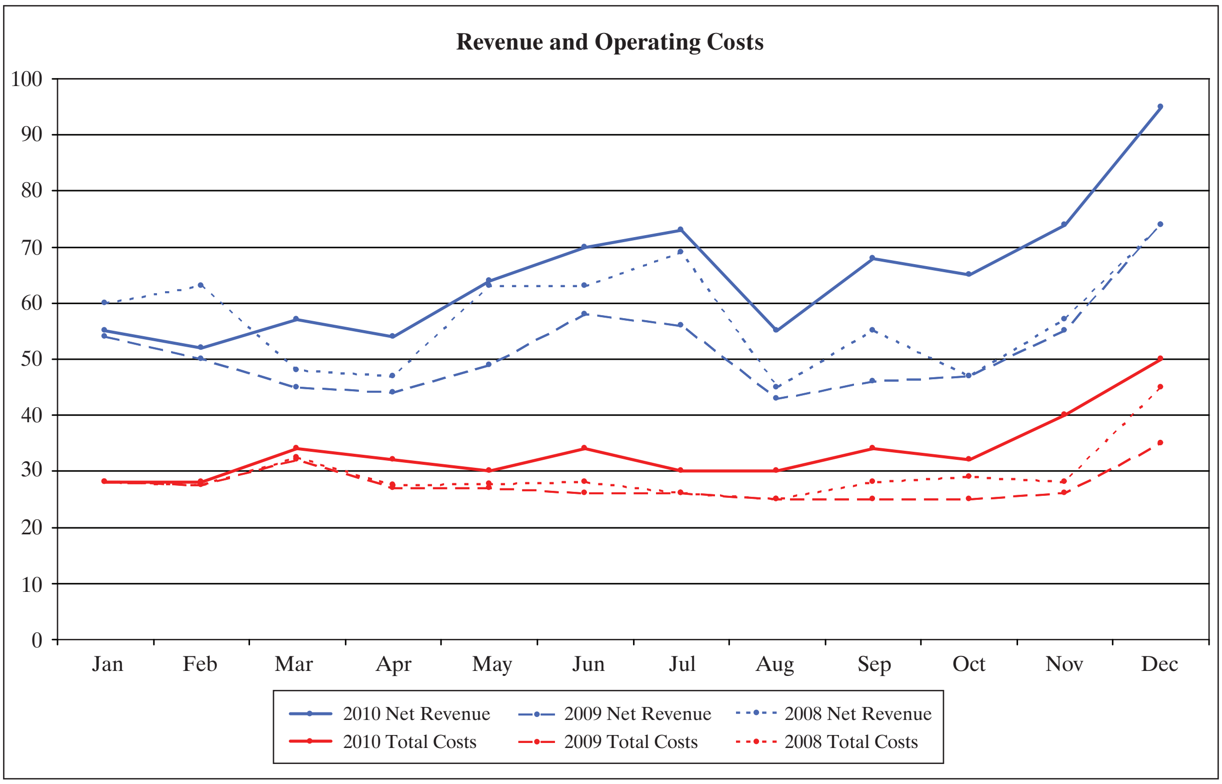
We experience seasonal fluctuations in our revenue that are typical of retail businesses. Our sales are usually higher in the last six months of a year than in the first six months because of the strength of our Fall/Winter collection and because of the holiday shopping season, which is typically the most significant season for retail businesses. The table below provides a breakdown of revenue for the six-month periods ended June 30 and December 31 in the years 2008, 2009 and 2010.

	Year ended December 31,							
	2008	(% of revenue)	2009	(% of revenue)	2010	(% of revenue)	% change 2009–08	% change 2010–09
	(€ in millions, except percentages)							
Revenue for the six-month period ended June 30[(1)] . . .	342.1	49.5%	298.0	48.1%	354.0	45.3%	(12.9%)	18.8%
Revenue for the six-month period ended December 31[(1)]	348.7	50.5%	321.6	51.9%	427.6	54.7%	(7.8%)	32.9%
Total revenue	**690.8**	**100.0%**	**619.6**	**100.0%**	**781.6**	**100.0%**	**(10.3%)**	**26.1%**

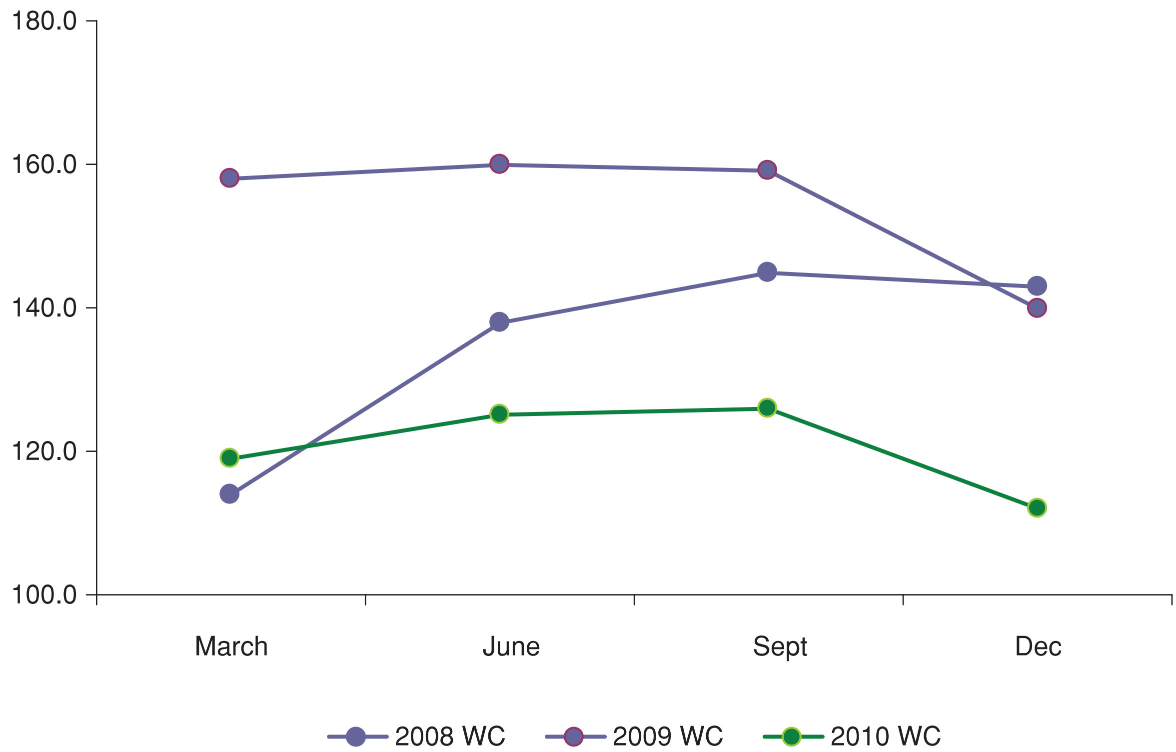
(1) Figures calculated on the basis of our unaudited management financial reports.

In general, we recognize the highest level of our revenue in the months of November and December and the lowest level of revenue in the month of August. Operating costs, in contrast, do not generally experience significant seasonal fluctuations, except for certain increases in the months of November and December due to the variable costs associated with sales commissions and leases. With respect to working capital, we generally experience a reduction in the last months of the year, primarily attributable to the increase in sales during the holiday shopping season and the subsequent reduction in our stock of finished goods. We also rely on debt to a lesser extent at the end of the year due to the increase in operating activities.

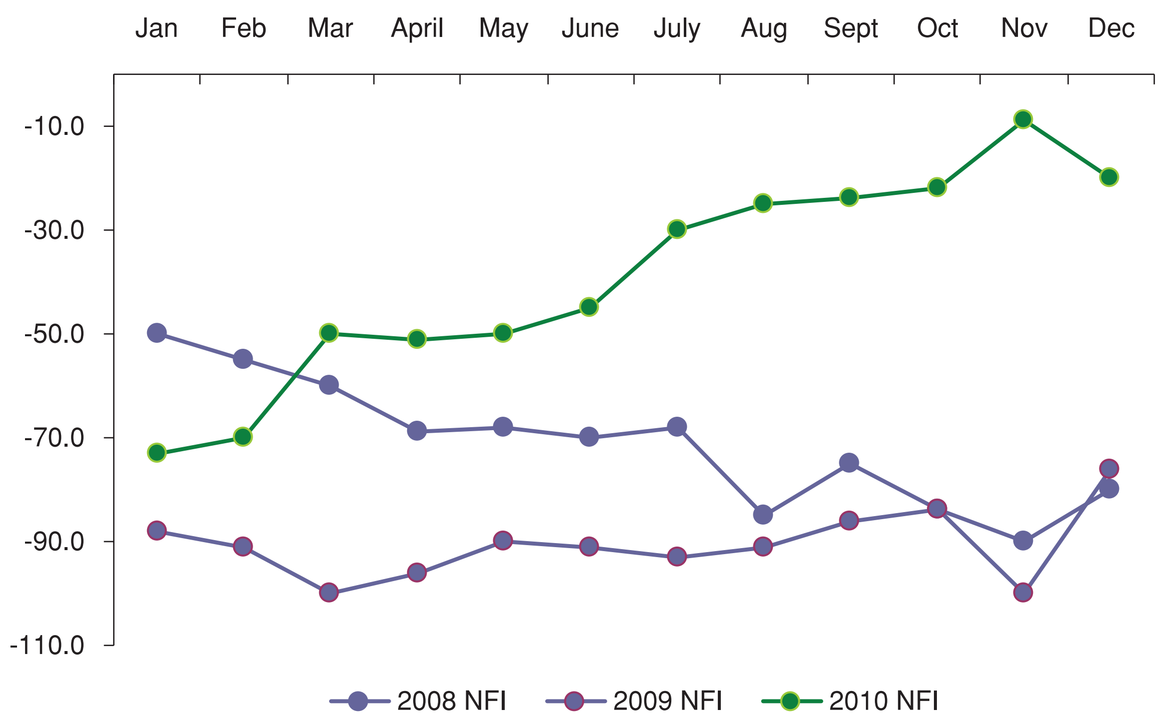
The graphics below set forth the seasonal fluctuations of our revenue and operating costs, working capital and net financial indebtedness for the periods indicated.



Working Capital (WC)



Net Financial Indebtedness (NFI)



Tax litigation settlement

We, and our former subsidiary Ferragamo International B.V. ("**FIBV**," the Group's Dutch affiliate, merged into Salvatore Ferragamo S.p.A. in the fourth quarter of 2010), were subject to tax litigation brought by the Italian tax authorities in 2004, based on their allegation that FIBV's tax residence was Italy. On October 9, 2009, we reached a full settlement with the tax authorities. This agreement obliged us to incur a total expense of €53.1 million without application of penalties. The financial impact on net income for 2009 was €43.1 million for income taxes for prior years net of the provision of €10.0 million accrued in 2008.

EBITDA

EBITDA is measured by our management to evaluate our operating performance. The components of EBITDA are provided in the tables below. We believe that EBITDA is an important indicator for measuring the Group's performance as it is not influenced by various methods of calculating taxes, amortization or depreciation. As EBITDA is not an indicator defined by the accounting principles used by our Group, our method of calculating EBITDA may not be strictly comparable to that used by other companies. EBITDA has limitations as an analytical tool, and you should not consider it in isolation.

The tables below set forth our EBITDA for the periods indicated.

	Three months ended March 31,			
	2010	2011	change	% change
	(€ in millions, except percentages)			
EBITDA				
Operating income	**13.2**	**21.0**	**7.8**	**59.1%**
Depreciation of property, plant and equipment, investment property	5.9	5.5	(0.4)	(6.8%)
Amortization of other intangible assets with definite useful life	0.7	0.8	0.1	14.3%
Write-down of property, plant and equipment, investment property and other intangible assets with definite useful life and goodwill	—	—	—	—
EBITDA	**19.8**	**27.3**	**7.5**	**37.9%**

	Year ended December 31,			
	2009	2010	change	% change
	(€ in millions, except percentages)			
EBITDA				
Operating income	**36.5**	**86.4**	**49.9**	**136.7%**
Depreciation of property, plant and equipment, investment property	22.5	23.6	1.1	4.9%
Amortization of other intangible assets with definite useful life	2.7	3.1	0.4	14.8%
Write-down of property, plant and equipment, investment property and other intangible assets with definite useful life and goodwill	0.2	—	(0.2)	—
EBITDA	**61.9**	**113.1**	**51.2**	**82.7%**

	Year ended December 31,			
	2008	2009	change	% change
	(€ in millions, except percentages)			
EBITDA				
Operating income	**63.8**	**36.5**	**(27.3)**	**(42.8%)**
Depreciation of property, plant and equipment, investment property	19.8	22.5	2.7	13.6%
Amortization of other intangible assets with definite useful life	2.4	2.7	0.3	12.5%
Write-down of property, plant and equipment, investment property and other intangible assets with definite useful life and goodwill	—	0.2	0.2	—
EBITDA	**86.0**	**61.9**	**(24.1)**	**(28.0%)**

Our EBITDA increased by €51.2 million, or 82.7%, to €113.1 million (14.5% of revenue) in 2010 from €61.9 million (10.0% of revenue) in 2009 and decreased by €24.1 million, or 28.0%, in 2009 from €86.0 million (12.4% of revenue), in 2008. The increase in EBITDA in 2010 was due to the combined effect of the following: (i) gross profit increased in absolute terms by €128.7 million (or 35.4%) in 2010 and, as a percentage of revenue, increased from 58.7% in 2009 to 63.0% in 2010, primarily due to higher sales volumes in 2010 and improved trading conditions, which allowed us to realize a larger portion of our sales at full price rather than at discounted prices; (ii) although operating expenses increased in absolute terms in 2010, such operating expenses (net of other operating income) decreased by 0.8% as a percentage of revenue; (iii) operating income increased in absolute terms by €50.0 million (or 137%) in 2010 and, as a percentage of revenue, increased from 5.9% in 2009 to 11.1% in 2010 due to the improved trading conditions and the fact that depreciation and amortization did not substantially increase in 2010.

The decrease of EBITDA in 2009 was due to the combined effect of the following: (i) gross profit decreased in absolute terms by €55.4 million (or 13.2%) in 2009 and, as a percentage of revenue, decreased from 60.6% in 2008 to 58.7% in 2009, primarily due to lower sales in 2009; (ii) operating expenses (net of other operating income) decreased by €18.1 million primarily due to our cost-cutting program; (iii) operating income decreased in absolute terms by €27.3 million (or 42.8%) in 2009 and, as a percentage of revenue, from 9.2% in 2008 to 5.9% in 2009 due to the lower sales in 2009 and increases in depreciation and amortization (which increased from €22.2 million in 2008 to €25.4 million in 2009), which was partially offset by an increase in other income due to the use of provisions for risks and charges equal to €5.8 million in connection with the conclusion of certain litigation. See "Business—Litigation and Other Proceedings."

Recent Developments

Revenue in 2011

Based on the information available to our management, including sales volumes for the first quarter of 2011 and the performance of the business from April 1, 2011 through May 31, 2011, we currently expect to achieve an increase in revenues for the year ending December 31, 2011, compared to the year ended December 31, 2010. Although we believe that the expectations reflected in this statement are reasonable, we do not provide any assurance with respect to such statement. Our ability to achieve our projected results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied. This statement involves risks and uncertainties that could significantly affect our expected results and is based on certain key assumptions. See "Risk Factors" and "Disclosure Regarding Forward-Looking Statements" for more information.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations is based on our Audited Consolidated Financial Statements and Unaudited Interim Consolidated Financial Statements, which have been prepared in accordance with IFRS and IAS 34, respectively. In our consolidated financial statements attached to this Offering Circular, we describe certain significant accounting policies that are a significant part of our consolidated financial statements. The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts and disclosures.

We believe the following items are critical accounting policies. By "critical accounting policies" we mean policies that are both important to the portrayal of our financial condition and financial results and require critical management judgments and estimates about matters that are inherently uncertain. Although we believe that our judgments and estimates are appropriate, actual future results may differ from our estimates.

Provisions for risks and charges

Provisions for risks and charges are recognized and accrued against existing commitments (legal or implicit) deriving from past events which are likely to give rise to future costs or losses and where the amount of the obligation can be reasonably estimated. When we believe that some or all of the costs required to settle a provision are expected to be recovered from a third party, for example in the case of risks covered by insurance policies, the indemnity receivable is recorded as a separate and distinct asset, if and only if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. In these cases, the accrual cost of the obligation is recognized in the statement of income net of the amount of indemnity receivable. When the actuarial effect is significant, provision amounts are calculated by discounting the expected future cash flows using a discount rate which reflects the current market cost of capital and, if appropriate, the risk of the specific liability. Where discounting takes place, the increase in the provision due to the passing of time is recorded as a financial charge.

We exercise judgment in recording provisions for risks and charges for contingent liabilities, including those related to pending litigation or other outstanding claims subject to negotiation, settlement, mediation, arbitration or government regulation. Discretionary judgment is necessary in assessing the likelihood that a pending claim or a potential liability will in fact occur and to quantify the possible outcome of the final settlement based on the information available.

Share-based payment plans (stock options)

We may award additional benefits to some directors, managers and other executives through equity-settled or cash-settled stock option plans. With our equity-settled plans, in accordance with IFRS 2 (share-based payment stock options), employee stock options are valued at fair value when they are granted, and this value is determined using the "binomial model," which takes account of all the features of the options (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 options can be exercised after a certain period (vesting period) and on the occurrence of specific conditions, the overall value of the options is divided pro rata over this period and is recorded in a separate item under shareholders' equity. At the end of each year, we do not review the fair value of the options determined previously, but we update the estimated number of options which will vest up to expiry. The related cumulated costs are recorded at the end of each financial year up to the maturity date and are directly linked to the maturity period and to the best available estimate of the number of stock options that will be effectively exercised at the maturity date. The gain or loss recorded in our statement of income for the year represents the change of the cumulated cost during the period. No cost is recorded for rights which do not ultimately vest, unless the granting of the rights is subject to market conditions.

In cash-settled stock option plans, the assets or services acquired and the liabilities incurred are measured at fair value. 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 statement of income.

Derivative instruments

We utilize derivative instruments solely for the purpose of hedging against the financial risks related to fluctuations in exchange rates on commercial transactions in foreign currencies. In accordance with IAS 39, derivative hedging financial instruments may only be recorded using the "hedge accounting" method when the following conditions are met: (i) at the beginning of the hedge, such transaction is formally designated as for hedging purposes and is documented, (ii) the hedge is expected to be effective, (iii) the effectiveness can be reliably measured and (iv) the hedge is highly effective (in terms of the percentage of the risk hedged) during the accounting periods for which it is designated.

All derivative instruments are stated at their fair value. When derivative instruments fulfil the requisites for hedge accounting, one of the following accounting treatments is adopted for a given transaction: fair value hedge and cash flow hedge.

A "fair value hedge" is a derivative instrument designated as a hedge against the exposure to variations in the fair value of an asset or liability recorded in the statement of financial position. The gain or loss deriving from subsequent variations in the fair value of the hedging instrument is recorded in the statement of income. In addition, the change in the fair value of the hedged item is also recognized in the statement of income.

A "cash flow hedge" is a derivative financial instrument designated as a hedge against the exposure to the variability of the cash flows of an asset or liability recorded in the statement of financial position or of a probable future operation which could have an impact on the statement of income. For cash flow hedges, the effective portion of the gains or losses deriving from the adjustment to fair value of the derivative instrument is recorded in a specific reserve in shareholders' equity. The accumulated gains or losses are reversed from the shareholders' equity reserve and recorded in the statement of income in the same period in which the effects of the hedged operation are recorded in the statement of income. The gain or loss associated with the ineffective part of the hedge is recorded directly to the statement of income as the ineffectiveness of the derivative becomes apparent.

Where the necessary requirements for hedge accounting do not exist, the gains or losses deriving from the valuation of the derivative financial instrument at fair value are recorded directly in the statement of income.

Employee termination indemnities

Italian law provides that, upon termination of employment, employees are entitled to severance pay (*trattamento fine rapporto*) based on their annual salary, length of employment and the rate of inflation. Our net obligation deriving from defined benefit plans is calculated separately for each plan, estimating the amount of the future benefits matured by employees during the current year and in previous years. This benefit is discounted to present value. The actuarial gains and losses are recorded in shareholders equity, as allowed by IAS 19. The actuarial valuation of the liability is entrusted to independent actuaries.

Deferred taxes

Deferred taxes are calculated on the timing differences resulting at the reporting date between the value of assets and liabilities recorded in the financial statements and the corresponding values recognized for fiscal purposes. Deferred tax liabilities are recognized for all taxable timing differences except for: (i) the temporary differences arising from the initial recognition of goodwill or for transactions (other than business combinations) related to assets or liabilities that have no influence either on accounting profit or on taxable income and (ii) the taxable temporary difference relating to investments in subsidiaries, associates or joint ventures, when we are able to manage the reversal of the temporary differences and such differences are unlikely to be reversed in the foreseeable future. In these cases, the differences in tax rates can be monitored to determine if a deferred tax liability is probable in the near future. Deferred tax assets are recognized for all deductible timing differences and for unused tax credits and unused tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the unused tax credits or unused tax losses carried forward can be utilized. The carrying value of the deferred tax assets are reassesed at the end of each fiscal year and derecognized to the extent that it is no longer likely that future taxable income will be available to utilize such deferred tax assets.

Presentation of Financial Information

Revenue

We derive revenue from the sale of our products, fees for services rendered, royalties received from third parties and licensees and rental income from the lease and sublease of property owned or leased by the Group. We present our revenue by geographic region and by "Wholesale Channel," "Retail Channel" and "Licenses and services," (which together form the line item "revenue from sales and services"). "Licenses and services" relates mainly to revenue derived from licenses granted for use of the Ferragamo trademark, primarily for eyewear (Luxottica) and timepieces (Timex), and from other fees for technical consulting provided to Zefer S.p.A. We also present revenue from "Income from rental of investment properties," which is revenue generated by certain real property located in the United States and leased/subleased to third parties (see "Business—Overview").

Cost of sales

Our cost of sales consist primarily of the expenses related to purchasing materials and components used to manufacture our products, such as leather, silk, and other fabrics, the purchase of finished products and the service costs for outsourced manufacturing from third parties on commission. Other items included in cost of sales are related depreciation and amortization and labor expenses for employees engaged in production, planning and supervision.

Style, product development and logistics costs

Style, product development and logistics costs consist of the expenses related to the creative departments of the Group, including materials research, design and prototyping, as well as the expenses related to shipping our products to points of sale.

Selling and distribution costs

Selling and distribution costs are incurred mainly by the Group's Retail Channel and include the costs associated with rent and upkeep of DOS. Selling and distribution costs also include expenses associated with distribution and logistics for the Wholesale Channel.

Communication and marketing costs

Communication and marketing costs include expenses incurred for advertising, media, shows and other events, particularly those connected with the opening of new points of sale or the reopening of remodeled locations.

General and Administrative expenses

General and administrative expenses include expenses related to salaries and other personnel costs for general management, consulting fees, information technology, financial administration, internal audit and human resources. General and administrative expenses also include costs associated with the Group headquarters and the our property management business in the United States.

Other operating expenses

Other operating expenses include indirect taxes, duties, entertainment and gift expenses and the accrual of provisions for risks and charges related to future expenses arising from legal contractual, administrative and/or labor disputes.

Other operating income

Other operating income includes cost recovery related to costs charged back to third party wholesale customers, insurance reimbursements, income from partial sublets of DOS that are larger than required and non-recurring income and gains.

Financial Income (Expense)

Financial income (expense) is the net amount of interest income and expense, gains and losses on exchange differences and on fair value adjustments of derivatives, which includes the premium or discount on exchange rate risk hedges entered into by us (the main currencies of which are the U.S. Dollar and the Japanese Yen).

Share of profit of associates

Share of profit of associates refers to the portion of profits or losses of Zefer S.p.A., a joint venture company between our Group and the Ermenegildo Zegna Group.

Income taxes

Income taxes include the current tax on the results of our operations and any changes in deferred tax. The nominal tax rate of the Company was 31.4% for the three-year period 2008 to 2010, resulting from the combination of the IRES (Corporate Income Tax) of 27.5% and the IRAP (Regional Business Tax) of 3.9%.

Results of Operations

Three months ended March 31, 2010 and 2011

The following table sets forth our statement of income for the three months ended March 31, 2010 and 2011:

	Three months ended March 31,					
	2010	(% of revenue)	2011	(% of revenue)	change	% change
	(€ in millions, except percentages)					
Revenue from sales and services	162.8	98.7%	208.5	99.1%	45.7	28.1%
Income from rental of investment properties	2.1	1.3%	1.8	0.9%	(0.3)	(14.3%)
Total revenue	**164.9**	**100.0%**	**210.4**	**100.0%**	**45.5**	**27.6%**
Cost of sales	(62.3)	(37.8%)	(80.5)	(38.3%)	(18.2)	29.2%
Gross profit	**102.6**	**62.2%**	**129.9**	**61.7%**	**27.3**	**26.6%**
Style, product development and logistics costs	(6.4)	(3.9%)	(7.4)	(3.5%)	(1.0)	15.6%
Selling and distribution costs	(57.1)	(34.6%)	(66.1)	(31.4%)	(9.0)	15.8%
Communication and marketing costs	(10.6)	(6.4%)	(13.5)	(6.4%)	(2.9)	27.4%
General and Administrative expenses	(14.8)	(9.0%)	(19.5)	(9.3%)	(4.7)	31.8%
Other operating expenses	(2.0)	(1.2%)	(4.3)	(2.0%)	(2.3)	—
Other operating income	1.5	0.9%	1.9	0.9%	0.4	26.7%
Operating income	**13.2**	**8.0%**	**21.0**	**10.0%**	**7.8**	**59.1%**
Net financial income (expenses)	2.0	1.2	(5.0)	(2.3%)	(4.7)	—
Financial expenses	*(5.6)*	*(3.4%)*	*(6.5)*	*(3.1%)*	*(0.9)*	*16.1%*
Financial income	*7.6*	*4.6%*	*1.4*	*0.7%*	*(6.1)*	*(81.6%)*
Share of profit of associates	0.1	0.1%	0.2	0.1%	(0.1)	—
Income before income taxes	**15.3**	**9.3%**	**16.2**	**7.7%**	**0.9**	**5.9%**
Income tax	(4.5)	(2.7%)	(0.8)	(0.4%)	3.7	(82.2%)
Net income/(loss)	**10.8**	**6.5%**	**15.4**	**7.3%**	**4.6**	**42.6%**
Net income attributable to owners of the parent.	9.1	5.5%	12.1	5.8%	3.0	33.5%
Net income attributable to non-controlling interests shareholders	1.7	1.%	3.4	1.6%	1.7	97.1%

Revenue

In the three months ended March 31, 2011, revenue at the Group level increased by €45.5 million, or 27.6%, to €210.4 million from €164.9 million in the corresponding period in 2010. This increase was primarily attributable to organic growth and trading conditions that continued to improve in many of our key markets in 2011. We opened 15 new DOS between the first quarter of 2010 and the first quarter of 2011 which contributed to the €27.2 million increase in Retail Channel revenues. In addition, the Wholesale Channel (which continued to recover from the downturn of 2009) increased its relative contribution to total Group revenue from 31.0% in the first quarter of 2010 to 33.2% in the first quarter of 2011. Our increases in revenue were partially offset by depreciation of the U.S. Dollar and the Japanese Yen, which fell by 1.1% and 10.3%, respectively, from the first quarter of 2010 to the first quarter of 2011, reducing our Euro equivalent revenue in these currencies.

During the three months ended March 31, 2010 and 2011, revenue by geographic region consisted of the following:

	Three months ended March 31, 2010	Three months ended March 31, 2011	change	At actual exchange rates % change	At constant exchange rates % change
	(€ in millions, except percentages)				
Europe	41.8	54.6	12.8	30.6%	29.6%
North America	35.7	44.9	9.2	25.8%	27.5%
Japan	27.4	27.6	0.2	0.7%	(3.8%)
Asia-Pacific	54.4	75.8	21.4	39.3%	37.6%
Central and South America	5.6	7.5	1.9	33.9%	32.0%
Total	**164.9**	**210.4**	**45.5**	**27.6%**	**25.9%**

During the first quarter of 2011, our revenue increased in all of our geographic regions by comparison with the corresponding period in 2010 at actual exchange rates, though at constant exchange rates, there was a decline in Japan due to the effects of the earthquake that struck the region in March 2011. Rates of growth at actual and constant exchange rates were in the double digits in each of Asia-Pacific, Central and South America, Europe and North America. Asia-Pacific remained the strongest performing region of our Group in absolute and relative terms.

The table below sets forth the breakdown of our revenue for the periods indicated.

	Three months ended March 31, 2010	(% of revenue)	2011	(% of revenue)	change	At actual exchange rates % change	At constant exchange rates % change
	(€ in millions, except percentages)						
Wholesale	51.2	31.0%	69.8	33.2%	18.6	36.3%	37.4%
Retail	109.9	66.6%	137.1	65.2%	27.2	24.7%	21.9%
Licenses and Services	1.7	1.0%	1.7	0.8%	—	—	(0.7%)
Rental of investment properties	2.1	1.4%	1.8	0.8%	(0.3)	(14.3%)	(15.0%)
Total revenue from sales and services	**164.9**	**100.0%**	**210.4**	**100.0%**	**45.5**	**27.6%**	**25.9%**

Wholesale

Revenue from our Wholesale Channel increased by €18.6 million, or 36.3% (37.4% at constant exchange rates), to €69.8 million in the first quarter of 2011, from €51.2 million in the first quarter of 2010. The main driver of this growth was the North American wholesale market; our revenue in that region between the two periods increased by 42.3% (46.1% at constant exchange rates).

Retail

Revenue from our Retail Channel increased by €27.2 million, or 24.7% (21.9% at constant exchange rates), to €137.1 million in the first quarter of 2011, from €109.9 million in the first quarter of 2010. This increase in revenue was primarily due to the strong performance of our retail network in the Asia-Pacific region. In the first three months of 2011, we opened two new DOS and closed the same number, one of these in Japan due to the earthquake in that country. In total, our DOS network increased by 15 as compared to the first three months of 2010, of which 10 were in Asia-Pacific, 2 in Europe, 2 in Japan and 1 in North America. See "—Factors Impacting Our Results of Operations—Development of the Retail Channel."

Licenses and services

Revenue from licenses and services was unchanged at €1.7 million in the three months ended March 31, 2011 as compared to the corresponding period in 2010. As this income is in Euro, we were unaffected by exchange rate volatility. This item relates mainly to revenue derived from licenses granted for use of the Ferragamo trademark, primarily for eyewear (Luxottica) and timepieces (Timex), and from other fees for technical consulting provided to Zefer S.p.A., our joint venture with the Ermenegildo Zegna Group. See "Business—Our Business—Licenses and services."

Rental of investment properties

Revenue from rental of investment properties decreased by €0.3 million, or 14.3% (15.0% at constant exchange rates), to €1.8 million in the first quarter of 2011, from €2.1 million in the first quarter of 2010. The decline was primarily due the depreciation of the U.S. Dollar against the Euro. See "Business—Our Business—Rental of investment properties."

The table below sets forth our revenue by product category for the periods indicated.

	Three months ended March 31,					At actual exchange rates	At constant exchange rates
	2010	**(% of revenue)**	**2011**	**(% of revenue)**	**change**	**% change**	**% change**
	(€ in millions, except percentages)						
Footwear	64.2	38.9%	87.9	41.8%	23.7	36.9%	35.6%
Leather goods	52.1	31.6%	64.4	30.6%	12.3	23.6%	21.7%
Apparel	19.7	11.9%	23.3	11.1%	3.6	18.3%	15.5%
Accessories	14.2	8.6%	16.5	7.9%	2.3	16.2%	14.7%
Fragrances	10.9	6.6%	14.8	7.0%	3.9	35.8%	35.7%
Licenses and services	1.7	1.0%	1.7	0.8%	—	—	(0.7%)
Rental of investment properties	2.1	1.3%	1.8	0.9%	(0.3)	(14.3%)	(15.0%)
Total revenue from sales and services	**164.9**	**100.0%**	**210.4**	**100.0%**	**45.5**	**27.6%**	**25.9%**

In the three months ended March 31, 2011, all product categories registered positive growth in revenue as compared to the corresponding period in 2010. In particular, the three best-performing categories along with their respective rates of growth were: footwear (36.9% at actual exchange rates and 35.6% at constant exchange rates); fragrances (35.8% at actual exchange rates and 35.7% at constant exchange rates) and leather goods (23.6% at actual exchange rates and 21.7% at constant exchange rates).

Cost of sales and gross profit

	Three months ended March 31,					
	2010	**(% of revenue)**	**2011**	**(% of revenue)**	**change**	**% change**
	(€ in millions, except percentages)					
Raw materials, accessories and commodities	(34.7)	(21.1%)	(42.4)	(20.2%)	(7.7)	22.2%
Costs of service	(26.3)	(15.9%)	(36.5)	(17.4%)	(10.2)	38.8%
Personnel costs	(1.1)	(0.7%)	(1.4)	(0.7%)	(0.3)	27.3%
Depreciation/amortization	(0.1)	(0.1%)	(0.1)	(0.1%)	—	—
Cost of sales	**(62.3)**	**(37.8%)**	**(80.5)**	**(38.3%)**	**(18.2)**	**29.2%**
Total revenue	**164.9**	**100.0%**	**210.4**	**100.0%**	**45.5**	**27.6%**
Gross profit	**102.6**	**62.2%**	**129.9**	**61.7%**	**27.3**	**26.6%**

Cost of sales increased €18.2 million, or 29.2%, to €80.5 million (38.3% of revenue) in the three months ended March 31, 2011, from €62.3 million (37.8% of revenue) in the corresponding period in 2010. Both of the absolute increase and the increase in terms of percentage of revenue were attributable to the increase in sales volumes and the change in revenue allocation between the Retail and Wholesale Channels, as described above.

Our gross profit increased by €27.3 million, or 26.6%, to €129.9 million (or 61.7% of revenue) in the first quarter of 2011, from €102.6 million (or 62.2% of revenue) in the first quarter of 2010. The decrease in our gross margin as a percentage of revenue was primarily due to the higher proportion of wholesale sales, which generally yield lower profit margins.

Style, product development and logistics costs

Style, product development and logistics costs consist of purchases of materials, related service and personnel expenses (primarily at our headquarters) and depreciation/amortization. The table below shows our Style, product development and logistics costs by category for the periods indicated.

	Three months ended March 31,					
	2010	**(% of revenue)**	**2011**	**(% of revenue)**	**change**	**% change**
	(€ in millions, except percentages)					
Purchases	(0.6)	0.3%	(0.9)	0.4%	(0.3)	50.0%
Services	(2.8)	(1.7%)	(3.3)	(1.6%)	(0.5)	17.9%
Personnel	(2.9)	(1.7%)	(3.1)	(1.5%)	(0.2)	6.9%
Depreciation/amortization	(0.2)	(0.1%)	—	—	—	—
Total	**(6.4)**	**(3.9%)**	**(7.4)**	**(3.5%)**	**(1.0)**	**13.5%**

Our Style, product development and logistics costs increased by €1.0 million to €7.4 million in the first quarter of 2011, from €6.4 million in the first quarter of 2010; however, the same costs declined as a percentage of revenue for the periods indicated to 3.5% from 3.9%, respectively. The decrease as a percentage of revenue was attributable to the effects of an efficiency program we implemented in the course of 2010 to reduce costs.

Selling and distribution costs

Selling and distribution costs refer to the cost of operating our Retail and Wholesale channels. The table below shows our Selling and distribution costs by category for the periods indicated.

	Three months ended March 31,					
	2010	**(% of revenue)**	**2011**	**(% of revenue)**	**change**	**% change**
	(€ in millions, except percentages)					
Purchases	(1.1)	(0.7%)	(0.9)	(0.4%)	0.2	(18.2%)
Services	(32.9)	(19.9%)	(38.9)	(18.5%)	6.0	18.2%
Personnel	(18.3)	(11.1%)	(21.9)	(10.4%)	(3.6)	19.7%
Depreciation/amortization	(4.8)	(2.9%)	(4.4)	(2.1%)	0.4	(8.3%)
Total	**(57.1)**	**(34.6%)**	**(66.1)**	**(31.4%)**	**9.0**	**15.8%**

Our selling and distribution costs increased by €9.0 million, or 15.8%, to €66.1 million (31.4% of revenue) in the first quarter of 2011, from €57.1 million (34.6% of revenue) in the first quarter of 2010. The increase was primarily due to an increase in sales volumes in the first three months of 2011, and to a lesser extent, the expansion of the Group's Retail Channel, which also accounted for the reduction in selling and distribution costs as percentage of revenue.

Communication and marketing costs

Communication and marketing costs refer to costs associated with our marketing campaigns. The table below shows our communication and marketing costs by category for the periods indicated.

	Three months ended March 31,					
	2010	**(% of revenue)**	**2011**	**(% of revenue)**	**change**	**% change**
	(€ in millions, except percentages)					
Purchases	(1.1)	(0.7%)	(1.2)	(0.6%)	(0.1)	9.1%
Services	(8.0)	(4.9%)	(10.5)	(5.0%)	(2.5)	31.3%
Personnel	(1.5)	(0.9%)	(1.8)	(0.9%)	(0.3)	20.0%
Depreciation/amortization	—	—	—	—	—	—
Total	**(10.6)**	**(6.5%)**	**(13.5)**	**(6.4%)**	**(2.9)**	**27.4%**

Our communication and marketing costs rose by €2.9 million, or 27.4%, to €13.5 million (6.4% of revenue) in the three months ended March 31, 2011, from €10.6 million (6.5% of revenue) in the corresponding period in 2010. The increase was due to higher costs related to the expansion of media campaigns, advertising and public relations to support our brand's expansion, partially offset by the appreciation of the Euro, which had the effect of lowering our communication and marketing costs in foreign currencies.

General and administrative expenses

General and administrative expenses refer to the costs associated with our offices and showrooms and related expenses. The table below shows our general and administrative expenses by category for the periods indicated.

	Three months ended March 31,					
	2010	**(% of revenue)**	**2011**	**(% of revenue)**	**change**	**% change**
	(€ in millions, except percentages)					
Purchases	—	—	(0.1)	(0.1%)	(0.1)	—
Services	(7.0)	(4.2%)	(11.2)	(5.3%)	(4.2)	60.0%
Personnel	(6.3)	(3.8%)	(6.6)	(3.1%)	(0.3)	4.8%
Depreciation/amortization	(1.5)	(0.9%)	(1.6)	(0.8%)	(0.1)	6.7%
Total	**(14.8)**	**(9.0%)**	**(19.5)**	**(9.3%)**	**(4.7)**	**31.8%**

Our general and administrative expenses increased by €4.7 million, or 31.8%, to €19.5 million (9.3% of revenue) in the first quarter of 2011, from €14.8 million (9.0% in revenue) in the corresponding period in 2010. The increase was due to the non-recurring expense of €4.2 million primarily related to the deferred compensation plan for our CEO and to services connected to the Global Offering.

Other operating expenses

Other operating expenses include the items listed in the table below.

	Three months ended March 31,					
	2010	**(% of revenue)**	**2011**	**(% of revenue)**	**change**	**% change**
	(€ in millions, except percentages)					
Loss on disposal of non-current assets	—	—	—	—	—	—
Non-operating expenses	(0.1)	—	(0.1)	—	—	—
Provisions for risks and charges	(0.1)	(0.1%)	—	—	0.1	—
Write-down of current assets	(0.3)	(0.2%)	(0.4)	(0.2%)	(0.1)	33.3%
Other operating expenses	(1.5)	(0.9%)	(3.7)	(1.8%)	(2.2)	—
Total	**(2.0)**	**(1.2%)**	**(4.3)**	**(2.0%)**	**(2.3)**	**—**

Other operating expenses rose by €2.3 million to €4.3 million (2.0% of revenue) in the first quarter of 2011, from €2.0 million (1.2% of revenue) in the first quarter of 2010. The main factor contributing to this increase was the impact of withholding taxes levied in relation to a dividend paid to our subsidiary Ferrimag Limited in the first quarter of 2011.

Other operating income

The table below presents our other operating income by category for the periods indicated.

	Three months ended March 31,					
	2010	**(% of revenue)**	**2011**	**(% of revenue)**	**change**	**% change**
	(€ in millions, except percentages)					
Other revenue and income	1.0	0.6%	1.7	0.8%	0.7	70.0%
Non-recurring income	0.5	0.3%	0.3	0.1%	(0.2)	(40.0%)
Total	**1.5**	**0.9%**	**2.0**	**0.9%**	**0.5**	**33.3%**

Other operating income increased slightly in absolute terms by €0.5 million to €2.0 million in the first quarter of 2011, from €1.5 million in the first quarter of 2010 while remaining constant in terms of percentage of revenue (0.9% for both periods).

Operating income

Operating income increased by €7.8 million to €21.0 million (10.0% of revenue) in the first quarter of 2011, from €13.2 million (8.0% of revenue) in the first quarter of 2010. As described above, the increase in the three months ended March 31, 2011 was primarily attributable to better economic conditions and the continued global expansion of the Group's operations, particularly in the Asia-Pacific region, partially offset by unfavorable currency fluctuations and the earthquake in Japan.

Net financial income (expenses)

	Three months ended March 31,					
	2010	(% of revenue)	2011	(% of revenue)	change	% change
	(€ in millions, except percentages)					
Net interest expense	(0.5)	(0.3%)	(0.4)	(0.2%)	(0.1)	(20.0%)
Other net income/(expense)	(0.3)	(0.2%)	(0.4)	(0.2%)	(0.1)	33.3%
Gain/(loss) on foreign exchange	2.8	1.7%	(4.4)	(2.1%)	(7.2)	—
Financial gain/(loss) on fair value adjustment of derivatives to fair value	—	—	0.2	(0.1%)	0.2	—
Total	**2.0**	**1.2%**	**(5.0)**	**(2.4%)**	**(7.0)**	**—**

We recorded net financial expense of €5.0 million in the three months ended March 31, 2011 compared to net financial income of €2.0 million in the corresponding period of 2010. These results were primarily attributable to exchange rate volatility. The strong Euro in the first quarter of 2011 reduced the impact on our statement of income of our U.S. Dollar sales, while the weaker Euro in the corresponding period in 2010 had the opposite effect. We do not hedge 100% of our exchange rate risk (see "—Financial Risk Management—Effects of Foreign Currency Exchange Rate Exposure").

Share of profit of associates

The share of profit of associates, declined by €0.1 million to €0.2 million in the first quarter of 2011, from €0.1 million in the corresponding period in 2010. This income is related to consulting services rendered to Zefer S.p.A.

Income before income taxes

The table below presents show our income before income taxes and a breakdown of our income tax in the periods indicated.

	Three months ended March 31,	
	2010	2011
	(€ in millions, except percentages)	
Income before income taxes	**15.3**	**16.2**
Current and deferred taxes	(4.5)	(6.3)
Income taxes from prior periods (tax refund)	—	5.6
Income tax	**(4.5)**	**(0.8)**
Effective tax rate	*29.6%*	*4.6%*

The effective tax rate for the first quarter of 2011 was 4.6% of income before income taxes. This figure was positively affected in large part by the recording of a €5.6 million non-recurring tax refund recognized by the Italian tax authority for the refund of taxes paid in previous years by FIBV to the Dutch tax authorities in connection with the settlement of certain tax litigation in 2009. See "—Factors Impacting Our Results of Operations—Tax litigation settlement" and "Business—Litigation and Other Proceedings."

In addition, our effective tax rate includes, as required by Italian law, the tax effects on current income relating to our controlled foreign companies ("**CFC**") in Hong Kong, Singapore and Malaysia. Excluding this tax effect, our effective tax rate would have been 30.8%.

Net income

	Three months ended March 31,					
	2010	(% of revenue)	2011	(% of revenue)	change	% change
	(€ in millions, except percentages)					
Net income/(loss) for the period	10.8	6.5%	15.5	7.4%	4.7	43.5%
Net income/(loss) attributable to owners of the parent	9.1	5.5%	12.1	5.8%	3.0	33.0%
Net income attributable to non-controlling interests shareholders	1.7	1.0%	3.4	1.6%	1.7	100.0%

Our net income increased by €4.7 million to €15.5 million in the first quarter of 2011, from €10.8 million in the corresponding period in 2010. This increase in net income was due to increases in revenue, increases in profitability and the non-recurring tax credit received for taxes paid by FIBV to the Dutch tax authorities. See "—Factors Impacting Our Results of Operations—Tax litigation settlement" and "Business—Litigation and Other Proceedings."

Net income attributable to non-controlling interests shareholders

The contribution to net income of our various non-controlling interests increased by €1.7 million to €3.4 million in the three months ended March 31, 2011 as compared to €1.7 million in the corresponding period in 2010.

Non-controlling interests

The table below shows the contribution to net income of subsidiaries in which the Group does not hold 100% of the share capital. See "Business—Joint Ventures and Distribution Contracts."

	Three months ended March 31, 2010			Three months ended March 31, 2011		
	contribution to net income	% non-controlling interests	contribution to non-controlling interests	contribution to net income	% non-controlling interests	contribution to non-controlling interests
	(€ in millions, except percentages)					
Ferragamo Japan	(0.7)	29%	(0.2)	(0.8)	29%	(0.2)
Ferragamo Retail India[(1)]	(0.2)	49%	—	(0.4)	49%	—
Subtotal	**(0.9)**	**—**	**(0.3)**	**(1.2)**	**—**	**(0.2)**
Ferrimag	—	50%	—	(2.0)	50%	(1.0)
Ferragamo Retail Hong Kong	0.5	50%	0.3	2.0	50%	1.0
Ferragamo Retail Taiwan	0.2	50%	0.1	0.6	50%	0.3
Ferragamo Fashion Shanghai	2.0	50%	1.0	3.4	50%	1.7
Ferragamo Moda Shanghai	0.2	50%	—	0.7	50%	0.4
Ferragamo Retail Macau	—	40%	—	0.5	40%	0.2
Subtotal	**3.0**	**—**	**1.5**	**5.3**	**—**	**2.6**
Ferragamo Korea	1.0	50%	0.5	1.9	50%	0.9
Ferragamo Singapore	—	50%	—	—	50%	—
Ferragamo Malaysia	—	50%	—	0.1	50%	—
Ferragamo Thailand	—	50%	—	—	50%	—
Subtotal	**1.0**	**—**	**0.5**	**2.0**	**—**	**1.0**
Ferragamo Suisse[(2)]	—	—	—	—	—	—
Total	**3.1**	**—**	**1.7**	**6.1**	**—**	**3.4**

(1) The percentage contribution to non-controlling interest of Ferragamo Retail India consists of 49% of the income earned between January 1, 2010 and March 31, 2010. This company was 100% consolidated into the Shareholders' Equity of the Group starting April 1, 2010.

(2) We purchased the 49% of the share capital of Ferragamo Suisse that we did not previously own in January 2010.

Fiscal Year Ended December 31, 2009 Compared to the Year Ended December 31, 2010

The following table sets forth our statement of income for the years ended December 31, 2009 and 2010:

	Year ended December 31,					
	2009	(% of revenue)	2010	(% of revenue)	change	% change
	(€ in millions, except percentages)					
Revenue from sales and services	612.0	98.8%	773.5	99.0%	161.5	26.4%
Income from rental of investment properties	7.6	1.2%	8.1	1.0%	0.5	6.6%
Total revenue	**619.6**	**100.0%**	**781.6**	**100.0%**	**162.0**	**26.1%**
Cost of sales	(256.1)	(41.3%)	(289.4)	(37.0%)	(33.3)	13.0%
Gross profit	**363.5**	**58.7%**	**492.2**	**63.0%**	**128.7**	**35.4%**
Style, product development and logistics costs	(24.8)	(4.0%)	(27.7)	(3.5%)	(2.9)	11.7%
Selling and distribution costs	(220.8)	(35.6%)	(262.5)	(33.6%)	(41.7)	18.9%
Communication and marketing costs	(31.5)	(5.1%)	(44.1)	(5.6%)	(12.6)	40.0%
General and Administrative expenses	(56.0)	(9.0%)	(66.6)	(8.5%)	(10.7)	19.1%
Other operating expenses	(13.6)	(2.2%)	(13.8)	(1.8%)	(0.2)	1.5%
Other operating income	19.7	3.2%	9.0	1.2%	(10.7)	(54.3%)
Operating income	**36.5**	**5.9%**	**86.4**	**11.1%**	**49.9**	**—**
Net financial income (expenses)	(2.1)	(0.3%)	2.4	0.3%	4.5	—
Financial expenses	*(18.1)*	*(2.9%)*	*(13.9)*	*(1.8%)*	*(4.2)*	*(23.2%)*
Financial income	*16.0*	*2.6%*	*16.3*	*2.1%*	*0.3*	*1.9%*
Share of profit of associates	0.4	0.1%	0.5	0.1%	0.1	25.0%
Income before income taxes	**34.8**	**5.6%**	**89.3**	**11.4%**	**54.5**	**—**
Income tax	(49.5)	(8.0%)	(28.5)	(3.6%)	21.0	(42.4%)
Net income/(loss)	**(14.7)**	**(2.4%)**	**60.8**	**7.8%**	**75.5**	**—**
Net income/(loss) attributable to owners of the parent.	(20.9)	(3.4%)	48.9	6.3%	69.8	—
Net income attributable to non-controlling interests shareholders	6.2	1.0%	11.9	1.5%	5.7	90.9%

Revenue

In 2010, revenue at the Group level increased by €162.0 million, or 26.1%, to €781.6 million from €619.6 million in 2009. This increase was primarily due to increased Retail Channel sales (which increased by €122.6 million (or 29.2%) to €543.0 million in 2010) related to the improved performance of our existing network and the opening of new DOS in Asia, Europe and Latin America. In addition, revenue for the year ended December 31, 2010 was positively affected by the appreciation of the U.S. Dollar and the Japanese Yen against the Euro. See "—Factors Impacting Our Results of Operations—Effects of exchange rates on operating activities." In 2010, our Wholesale Channel also increased revenue by €38.7 million, primarily due to the entry into force of agreements with new customers in certain regions.

During the years ended December 31, 2009 and 2010, revenue by geographic region consisted of the following:

	Year ended December 31,			At actual exchange rates	At constant exchange rates
	2009	2010	change	% change	% change
	(€ in millions, except percentages)				
Europe	150.9	182.3	31.4	20.8%	20.3%
North America	136.1	174.0	37.9	27.8%	18.1%
Japan	111.0	126.8	15.8	14.2%	0.2%
Asia-Pacific	193.9	267.9	74.0	38.2%	24.3%
Central and South America	27.7	30.6	2.9	10.5%	9.1%
Total	**619.6**	**781.6**	**162.0**	**26.1%**	**16.8%**

Our revenue increased in all of our geographic regions during 2010, but the overall increase was primarily related to growth in Asia-Pacific, North America and Europe, where increases in revenue were equal to €74.0 million, €37.9 million and €31.4 million, respectively. The growth in Asia-Pacific and North America was also aided by favorable exchange rates, which increased our growth in Asia-Pacific from 24.3% (at constant exchange rates) to 38.2% (at actual exchange rates) and increased our growth in North America from 18.1% (at constant exchange rates) to 27.8% (at actual exchange rates). The exchange rates were also favorable in Japan, where our revenue increased 14.2% at actual exchange rates, but were essentially unchanged at constant exchange rates.

The revenue increases in 2010 were primarily attributable to the recovery in consumer confidence following the global financial crisis that had depressed sales in 2008 and 2009 as well as to growth in both the Retail and Wholesale Channels in Asia-Pacific (Greater China in particular). In the Retail Channel, 23 new DOS opened in 2010, of which 11 were in the Asia-Pacific region and 3 in Europe. In our Wholesale Channel, we entered into a number of franchising agreements, primarily in the Asia-Pacific region.

The table below sets forth the breakdown of our revenue for the periods indicated.

	Year ended December 31,					At actual exchange rates	At constant exchange rates
	2009	(% of revenue)	2010	(% of revenue)	change	% change	% change
	(€ in millions, except percentages)						
Wholesale	185.0	29.9%	223.7	28.6%	38.7	20.9%	14.1%
Retail	420.4	67.8%	543.0	69.5%	122.6	29.2%	18.4%
Licenses and Services	6.6	1.1%	6.8	0.9%	0.2	3.0%	—
Rental of investment properties	7.6	1.2%	8.1	1.0%	0.5	6.6%	1.7%
Total	**619.6**	**100.0%**	**781.6**	**100.0%**	**162.0**	**26.1%**	**16.8%**

Wholesale

Revenue from our Wholesale Channel increased by €38.7 million, or 20.9% at actual exchange rates and 14.1% at constant exchange rates, to €223.7 million in 2010, from €185.0 million in 2009. This increase was primarily due to the recovery of wholesale sales to our North American customers as that region recovered from the global financial crisis and to the appreciation of the U.S. Dollar in 2010. See "—Factors Impacting Our Results of Operations—Recovery from the global financial crisis" and "—Factors Impacting Our Results of Operations—Fluctuations in exchange rates."

Retail

Revenue from our Retail Channel increased by €122.6 million, or 29.2% at actual exchange rates and 18.4% at constant exchange rates, to €543.0 million in 2010, from €420.4 million in 2009. This increase was primarily due to increased performance of existing DOS. We opened 23 new DOS in 2010 (which represented a net increase of 13 DOS from 2009), primarily in Asia-Pacific (6 in China, 1 in each of Taiwan, Korea, Singapore, Thailand and Australia). The net openings of new DOS contributed to the increase in revenue from the Retail Channel in 2010 by 4.4%. See "—Factors Impacting Our Results of Operations—Effects of exchange rates on operating activities."

Licenses and services

Revenue from licenses and services increased by €0.2 million, or 4.3% at actual exchange rates, to €6.8 million in 2010, from €6.6 million in 2009. As we receive this income in Euro, we were unaffected by exchange rate volatility. This item relates mainly to revenue derived from licenses granted for use of the Ferragamo trademark, primarily for eyewear (Luxottica) and timepieces (Timex), and from other fees for technical consulting provided to Zefer S.p.A., our joint venture with the Ermenegildo Zegna Group. See "Business—Our Business—Licenses and Services."

Rental of investment properties

Revenue from rental of investment properties increased by €0.5 million, or 6.6% at actual exchange rates, 1.7% at constant exchange rates, to €8.1 million in 2010, from €7.6 million in 2009. The increase was primarily due to the appreciation of the U.S. Dollar against the Euro and, to a lesser extent, to improved conditions in the U.S. real estate market where we own some of our property. See "Business—Our Business—Rental of investment properties."

The table below sets forth our revenue by product category for the periods indicated.

	Year ended December 31,					At actual exchange rates	At constant exchange rates
	2009	**(% of revenue)**	**2010**	**(% of revenue)**	**change**	**% change**	**% change**
	(€ in millions, except percentages)						
Footwear	240.5	38.8%	319.0	40.8%	78.5	32.6%	22.7%
Leather goods	195.8	31.6%	243.7	31.2%	47.9	24.4%	14.2%
Apparel	76.6	12.4%	90.1	11.5%	13.5	17.7%	8.5%
Accessories	57.5	9.3%	67.4	8.6%	9.9	17.3%	7.3%
Fragrances	35.1	5.7%	46.4	5.9%	11.3	32.4%	31.5%
Licenses and services	6.5	1.1%	6.9	0.9%	0.4	4.7%	—
Rental of investment properties	7.6	1.2%	8.1	1.0%	0.5	7.0%	1.7%
Total	**619.6**	**100.0%**	**781.6**	**100.0%**	**162.0**	**26.1%**	**16.8%**

In recent years there has been growth in the market for our footwear and leather goods products, which are our traditional strength. In 2010 there was significant growth in leather goods, revenue from which increased by 24.4% (within which revenue from women's and men's leather goods increased by 22.3% and 30.9%, respectively). Additionally, footwear and fragrances performed well: revenue from footwear increased by 32.6% (within which revenue from women's and men's footwear increased 33.7% and 31.3%, respectively); and revenue from fragrances increased by 32.4%.

Cost of sales and gross profit

	Year ended December 31,					
	2009	**(% of revenue)**	**2010**	**(% of revenue)**	**change**	**% change**
	(€ in millions, except percentages)					
Raw materials, accessories and commodities	(153.9)	(24.8%)	(164.7)	(21.1%)	(10.8)	7.0%
Costs of services	(97.2)	(15.7%)	(119.2)	(15.3%)	(22.0)	22.6%
Personnel costs	(4.4)	(0.7%)	(4.9)	(0.6%)	(0.5)	11.4%
Depreciation/amortization	(0.5)	(0.1%)	(0.6)	(0.1%)	(0.1)	20.0%
Cost of sales	**(256.1)**	**(41.3%)**	**(289.4)**	**(37.0%)**	**(33.3)**	**13.0%**
Total revenue	**619.6**	**100.0%**	**781.6**	**100.0%**	**162.0**	**26.1%**
Gross profit	**363.5**	**58.7%**	**492.2**	**63.0%**	**128.7**	**35.4%**

Cost of sales increased €33.3 million, or 13.0%, to €289.4 million (37.0% of revenue) in 2010, from €256.1 million (41.3% of revenue) in 2009. This increase in absolute terms is primarily attributable to increased sales volumes in 2010 and to the appreciation of the U.S. Dollar and the Japanese Yen (in which we realize nearly half of our revenue) against the Euro (in which we incur the majority of our costs).

As a percentage of revenue, however, our cost of sales declined to 37.0% in 2010 from 41.3% in 2009, which also contributed to the increase in our gross profit as a percentage of revenue. Our gross profit increased by €128.7 million, or 35.4%, to €492.2 million (or 63.0% of revenue), from €363.5 million (or 58.7% of revenue) in 2009. The decrease in our cost of sales as a percentage of revenue and the increase in our gross profit was primarily due to the higher proportion of full price sales in 2010 compared to 2009, in which more discount sales were necessary because of the more difficult economic situation.

Style, product development and logistics costs

Style, product development and logistics costs consist of purchases of materials, related service and personnel expenses (primarily at our headquarters) and depreciation/amortization. The table below shows our Style, product development and logistics costs by category for the periods indicated.

	Year ended December 31,					
	2009	(% of revenue)	2010	(% of revenue)	change	% change
	(€ in millions, except percentages)					
Purchases	(1.7)	(0.3%)	(2.7)	(0.3%)	(1.0)	58.8%
Services	(11.5)	(1.9%)	(12.9)	(1.7%)	(1.4)	12.2%
Personnel	(11.0)	(1.8%)	(11.5)	(1.5%)	(0.5)	4.5%
Depreciation/amortization	(0.6)	(0.1%)	(0.6)	(0.1%)	—	—
Total	**(24.8)**	**(4.0%)**	**(27.7)**	**(3.5%)**	**(2.9)**	**11.7%**

Our style, product development and logistics costs increased by €2.9 million, or 11.7%, to €27.7 million (3.5% of revenue) in 2010, from €24.8 million (4.0% of revenue) in 2009. The increase was primarily due to increased sales volumes, but was partially offset by efficiency improvements. Among the increases in these expenses, the main changes were: (i) an increase of €1.4 million, or 12.2%, in service costs, due to greater use of external services by the production and outbound logistics departments and (ii) an increase of €1.0 million, or 58.8%, in purchase costs, due to higher packaging costs of shipments in the outbound logistics department. The majority of these expenses were recorded at the headquarters level.

Selling and distribution costs

Selling and distribution costs refer to the cost of operating our Retail and Wholesale channels. The table below shows our Selling and distribution costs by category for the periods indicated.

	Year ended December 31,					
	2009	(% of revenue)	2010	(% of revenue)	change	% change
	(€ in millions, except percentages)					
Purchases	(4.9)	(0.8%)	(4.9)	(0.6%)	—	—
Services	(127.2)	(20.5%)	(155.2)	(19.9%)	28.0	22.0%
Personnel	(70.2)	(11.3%)	(83.1)	(10.6%)	12.9	18.4%
Depreciation/amortization	(18.5)	(3.0%)	(19.3)	(2.5%)	0.8	4.3%
Total	**(220.8)**	**(35.6%)**	**(262.5)**	**(33.6%)**	**41.7**	**18.9%**

Our selling and distribution costs increased by €41.7 million, or 18.9%, to €262.5 million (33.6% of revenue) in 2010, from €220.8 million (35.6% of revenue) in 2009. The increase in absolute terms was primarily due to an increase in sales volumes in 2010, and to a lesser extent, as a result of the expansion of the retail network and the negative effects of exchange rates, especially the appreciation of the U.S. Dollar and Japanese Yen in 2010. Service costs include store rentals and commissions for points of sale located within large stores and business centers, which are paid based on the sales made. The recorded increase in service costs of €28.0 million, or 22.0%, was mainly due to increased sales and expansion of the network, and partly to the effects of exchange rates. Personnel costs consist mainly of salary and wage expenses for the personnel in our stores. The increase in personnel costs of €12.9 million, or 18.4%, was due to the increase in staff and higher compensation, which are tied, to a varying extent from country to country, to the level of sales. The contribution of our DOS network to Selling and distribution costs in 2010 was 88.5%, as compared to 89.1% in 2009.

Communication and marketing costs

Communication and marketing costs refer to costs associated with our marketing campaigns. The table below shows our communication and marketing costs by category for the periods indicated.

	Year ended December 31,					
	2009	(% of revenue)	2010	(% of revenue)	change	% change
	(€ in millions, except percentages)					
Purchases	(3.0)	(0.5%)	(3.7)	(0.5%)	(0.7)	23.3%
Services	(21.9)	(3.5%)	(33.6)	(4.3%)	(11.7)	53.4%
Personnel	(6.4)	(1.0%)	(6.7)	(0.9%)	(0.3)	4.7%
Depreciation/amortization	0.1	—	0.1	—	—	—
Total	**(31.5)**	**(5.1%)**	**(44.1)**	**(5.6%)**	**(12.6)**	**40.6%**

Our communication and marketing costs rose by €12.6 million, or 40.6%, to €44.1 million (5.6% of revenue) in 2010, from €31.5 million (5.1% of revenue) in 2009. This was a result of the favorable market conditions in 2010 and the expansion of the Retail Channel in the same period, in response to which we increased our marketing campaigns. The primary increase was to our service costs, which increased €11.7 million, or 53.4% due to higher expenditures on media (advertising pages, production costs, photography costs), public relations (promotional events, surveys), display window costs and advertising contributions to customers. These costs were also increased by the depreciation of the Euro, which increased our communication and marketing costs in foreign currencies.

General and administrative expenses

General and administrative expenses refer to the costs associated with our offices and showrooms and related expenses. The table below shows our general and administrative expenses by category for the periods indicated.

	Year ended December 31,					
	2009	(% of revenue)	2010	(% of revenue)	change	% change
	(€ in millions, except percentages)					
Purchases	(0.6)	(0.1%)	(0.9)	(0.1%)	(0.3)	50.0%
Services	(29.5)	(4.8%)	(32.5)	(4.2%)	(3.0)	10.2%
Personnel	(20.2)	(3.3%)	(27)	(3.5%)	(6.8)	33.7%
Depreciation/amortization	(5.4)	(0.9%)	(6.2)	(0.8%)	(0.8)	14.8%
Write-downs of property, plant and equipment, investment property and intangibles	(0.2)	—	—	—	(0.2)	(100%)
Total	**(55.9)**	**(9.0%)**	**(66.6)**	**(8.5%)**	**(10.7)**	**19.1%**

Our general and administrative expenses increased by €10.7 million, or 19.1%, to €66.6 million (8.5% of revenue) in 2010, from €55.9 million (9.0% in revenue) in 2009. These costs increased primarily as a result of the €6.8 million increase in personnel costs and partly as a result of our costs related to real property management in the United States.

Other operating expenses

Other operating expenses include the items listed in the table below.

	Year ended December 31,					
	2009	(% of revenue)	2010	(% of revenue)	change	% change
	(€ in millions, except percentages)					
Loss on disposal of non-current assets	(0.6)	(0.1%)	(0.7)	(0.1%)	(0.1)	16.7%
Non-operating expenses	(1.7)	(0.3%)	(0.2)	—	1.5	(88.2%)
Provisions for risk and charges	(1.4)	(0.2%)	(3.0)	(0.4%)	(1.6)	—
Write-down of current assets	(3.5)	(0.6%)	(1.7)	(0.2%)	(1.8)	(51.4%)
Other operating expenses	(6.4)	(1.0%)	(8.2)	(1.0%)	(1.8)	28.1%
Total	**(13.6)**	**(2.2%)**	**(13.8)**	**(1.8%)**	**(0.2)**	**1.5%**

Other operating expenses rose by €0.2 million, or 1.5%, to €13.8 million (1.8% of revenue) in 2010, from €13.6 million (2.2% of revenue) in 2009. Provisions to reserves for contingent liabilities and charges increased €1.6 million, which was primarily due to: (i) €1.5 million for legal/tax litigation and disputes; (ii) €0.6 million for labor litigation and disputes; (iii) €0.5 million for future expenses and costs of defense in legal/tax proceedings and (iv) €0.4 million for other contingencies. Reserves for contingent liabilities and charges totaled €5.1 million, of which €3.3 million was for legal proceedings consisting mainly of proceedings brought against us, some proceedings concerning foreign companies and labor disputes. The decrease of €1.7 million, or (51.4%), in write-down of current assets consisted entirely of credit risks on wholesale sales. The decrease was due to the loss of €2.3 million recorded in 2009 on trade receivables due from the perfumes distributor for Japan, which went bankrupt in that year. Other operating costs increased €1.8 million, or 28.1%. Other operating expenses included indirect taxes, duties and fees of €5.3 million and entertainment expenses, complimentary items and gifts of €1.8 million. The increase was mainly related to indirect taxes, duties and fees.

Other operating income

The table below presents our other income by category for the periods indicated.

	Year ended December 31,					
	2009	(% of revenue)	2010	(% of revenue)	change	% change
	(€ in millions, except percentages)					
Other revenue and income	17.9	2.9%	7.6	1.0%	(10.3)	(57.5%)
Gains on disposal of tangible and intangible assets	0.06	—	0.04	—	(0.02)	(33.3%)
Non-recurring income	1.7	0.3%	1.2	0.2%	(0.5)	(29.4%)
Total	**19.7**	**3.2%**	**8.9**	**1.1%**	**(10.8)**	**(55.0%)**

Other operating income decreased by €10.8 million, or 55.0%, to €8.9 million (1.1% of revenue) in 2010, from €19.7 million (3.2% of revenue) in 2009. The decrease was due mainly to the non-recurring use of €5.8 million in 2009 from the contingencies reserve (which was recognized as other revenue and income) to settle the FIBV tax litigation. See "—Factors Impacting our Results of Operations—Tax Litigation Settlement."

Operating income

Operating income increased by €49.9 million to €86.4 million (11.1% of revenue) in 2010, from €36.5 million (5.9% of revenue) in 2009. As described above, the increase in 2010 was primarily attributable to the return in consumer confidence and the recovery from the global financial crisis which increased our sales in key regions. As a result of the improved trading conditions, a larger portion of our sales were recorded at full price rather than at a discounted prices, increasing our gross profit. The increase in gross profit was only partially offset by the increase in operating costs (which declined as a percentage of revenue).

Net financial income (expenses)

	Year ended December 31,					
	2009	(% of revenue)	2010	(% of revenue)	change	% change
	(€ in millions, except percentages)					
Net interest expense	(2.2)	(0.4)%	(2.0)	(0.3)%	0.2	(9.1%)
Other net income/(expense)	(1.2)	(0.2)%	(1.9)	(0.2)%	(0.7)	58.3%
Gain/(loss) on foreign exchange	(0.4)	(0.1)%	7.1	0.9%	7.5	—
Financial gain/(loss) on adjustment of derivatives to fair value	1.8	0.3%	(0.9)	(0.1)%	2.7	—
Write-down/provisions of stakes	—	—	—	—	—	—
Total	**(2.1)**	**(0.3)%**	**2.4**	**0.3%**	**4.5**	**—**

We recorded net financial income in 2010 of €2.4 million compared to net financial expenses of €2.1 million in 2009. These results were primarily attributable to gains in 2010 on foreign exchange and adjustments in the fair value of foreign exchange hedging transactions. For additional information on our foreign exchange hedging policies, see "—Quantitative and Qualitative Disclosures about Market Risk—Effects of Foreign Currency Exchange Rate Exposure."

Share of profit of associates

The share of profit of associates rose by €0.1 million, or 25%, to €0.5 million in 2010, from €0.4 million in 2009. This income is related to Zefer S.p.A.

Income before income taxes

The table below shows our income before income taxes and provides a breakdown of our income tax, together with a reconciliation of the income taxes recorded and the theoretical taxes resulting from application, to income before income taxes, of the tax rate in effect for us in the periods indicated.

	Year ended December 31,	
	2009	2010
	(€ in millions, except percentages)	
Income before income taxes	**34.8**	**89.3**
Current taxes	(17.5)	(31.0)
Deferred taxes	11.2	2.5
Income taxes prior periods	(43.1)	—
Total	**(49.5)**	**(28.5)**
Income before income taxes	34.8	89.3
IRES rate in effect for the period	*27.50%*	*27.50%*
Theoretical tax expense	**9.6**	**24.6**
IRAP effect	2.5	3.5
Non-deductible costs	(1.1)	—
Different tax rates applying to foreign subsidiaries	(3.4)	(4.2)
Tax effects on current income relating to CFCs	—	4.3
Prior years income taxes	43.1	—
Other effects	(1.3)	0.3
Total differences	**39.9**	**4.0**
Income tax	**49.5**	**28.5**
Effective tax rate	142.1%	31.9%

The effective tax rate for 2010 was 31.9% of income before income taxes. This also includes projected taxes in the fiscal year 2010 for profits earned by some of our subsidiaries that are domiciled in tax haven territories (e.g., Hong Kong, Singapore and Malaysia), as provided by Italian tax regulations on taxation of CFCs (Controlled Foreign Corporations). Net of these current tax entries, the effective tax rate would have been 28.36%. The effective tax rate for 2009 was affected by non-recurring taxes related to the settlement of the FIBV tax litigation. See "—Factors Impacting Our Results of Operations—Tax litigation settlement" and "Business—Litigation and Other Proceedings."

Net income/(loss)

	Year ended December 31,					
	2009	(% of revenue)	2010	(% of revenue)	change	% change
	(€ in millions, except percentages)					
Net income/(loss) for the period	(14.7)	(2.4%)	60.8	7.8%	75.5	—
Net income/(loss) attributable to owners of the parent	(20.9)	(3.4%)	48.9	6.3%	69.8	—
Net income attributable to non-controlling interests shareholders	6.2	1.0%	11.9	1.5%	5.7	91.9%

Our net income increased by €75.5 million to a profit of €60.8 million in 2010, from a loss of €14.7 million in 2009. This increase in net income was primarily due to the non-recurring payment in 2009 to settle the FIBV tax litigation (the financial impact of this payment on our 2009 income was €43.1 million). See "—Factors Impacting Our Results of Operations—Tax litigation settlement" and "Business—Litigation and Other Proceedings." The increase was also due to improved operating income, which increased to €86.4 million in 2010 from €36.5 million in 2009.

Non-controlling interests

The table below shows the contribution to net income of subsidiaries in which the Group does not hold 100% of the share capital.

	Year ended December 31, 2009			Year ended December 31, 2010		
	contribution to net income	% non-controlling interests	contribution to non-controlling interests	contribution to net income	% non-controlling interests	contribution to non-controlling interests
	(€ in millions, except percentages)					
Ferragamo Japan	(1.9)	29%	(0.5)	(2.4)	29%	(0.7)
Ferragamo Retail India	(0.6)	49%	(0.3)	(1.7)	49%	—(1)
Subtotal	**(2.5)**	**—**	**(0.8)**	**(4.1)**	**—**	**(0.8)**
Ferrimag	(0.3)	50%	(0.1)	(0.1)	50%	—
Ferragamo Retail Hong Kong	1.6	50%	0.8	4.8	50%	2.4
Ferragamo Retail Taiwan	0.9	50%	0.5	1.9	50%	1.0
Ferragamo Fashion Shanghai	8.9	50%	4.4	10.2	50%	5.1
Ferragamo Moda Shanghai	(0.3)	50%	(0.1)	1.1	50%	0.5
Ferragamo Retail Macau	(0.4)	40%	(0.1)	0.8	40%	0.3
Subtotal	**10.5**	**—**	**5.3**	**18.7**	**—**	**9.3**
Ferragamo Korea	4.6	50%	2.3	7.5	50%	3.7
Ferragamo Singapore	—	50%	—	(0.8)	50%	(0.4)
Ferragamo Malaysia	0.2	50%	—	0.4	50%	0.2
Ferragamo Thailand	(0.3)	50%	(0.2)	(0.14)	50%	—
Subtotal	**4.4**	**—**	**2.2**	**6.9**	**—**	**3.4**
Ferragamo Suisse	(0.8)	49%	(0.4)	—	—	—
Total	**11.6**	**—**	**6.2**	**21.5**	**—**	**11.9**

(1) The percentage contribution to non-controlling interest of Ferragamo Retail India consists of 49% of the income earned between January 1, 2010 and March 31, 2010. This company was 100% consolidated into the Shareholders' Equity of the Group starting April 1, 2010.

The contribution to net income of our various non-controlling interests increased by €9.9 million, or 85.4%, to €21.5 million in 2010, from €11.6 million in 2009. See "Business—Joint Ventures and Distribution Contracts."

Fiscal Year Ended December 31, 2008 Compared to the Year Ended December 31, 2009

The following table sets forth our statement of income for the years ended December 31, 2008 and 2009:

	Year ended December 31,					
	2008	(% of revenue)	2009	(% of revenue)	change	% change
	(€ in millions, except percentages)					
Revenue from sales and services	683.9	99.0%	612.1	98.8%	(71.9)	(10.5%)
Income from rental of investment properties	6.9	1.0%	7.6	1.2%	0.7	10.1%
Total revenue	**690.8**	**100.0%**	**619.6**	**100.0%**	**(71.2)**	**(10.3%)**
Cost of sales	(271.9)	39.4%	(256.1)	(41.3%)	15.8	(5.8%)
Gross profit	**419.0**	**60.6%**	**363.5**	**58.7%**	**(55.5)**	**(13.2%)**
Style, product development and logistics costs	(30.2)	4.4%	(24.8)	(4.0%)	5.4	(17.9%)
Selling and distribution costs	(221.3)	32.0%	(220.8)	(35.6%)	0.5	(0.2%)
Communication and marketing costs	(47.7)	6.9%	(31.5)	(5.1%)	16.2	(34.0%)
General and Administrative expenses	(56.0)	8.1%	(56.0)	(9.0%)	—	—
Other operating expenses	(9.7)	1.4%	(13.6)	(2.2%)	(3.9)	(40.2%)
Other operating income	9.7	1.4%	19.7	3.2%	10.0	102.6%
Operating income	**63.8**	**9.2%**	**36.5**	**5.9%**	**(27.3)**	**(42.8%)**
Net financial income (expenses)	(0.4)	—	(2.1)	(0.3)	(1.7)	—
Financial expenses	*(26.4)*	*3.8%*	*(18.1)*	*2.9%*	*8.3*	*31.4%*
Financial income	*26.0*	*3.8%*	*16.0*	*2.6%*	*(10.0)*	*(38.5%)*
Share of profit of associates	0.8	0.1%	0.4	0.1%	(0.4)	(50.0%)
Income before income taxes	**64.2**	**9.3%**	**34.8**	**5.6%**	**(29.4)**	**(45.8%)**
Income tax	(25.3)	3.7%	(49.5)	8.0%	(24.2)	95.7%
Net income/(loss)	**38.9**	**5.6%**	**(14.7)**	**2.4%**	**(53.6)**	**—**
Net income/(loss) attributable to owners of the parent	29.8	4.3%	(20.9)	(3.4%)	(50.7)	—
Net income attributable to non-controlling interests shareholders	9.1	1.3%	6.2	1.0%	(2.9)	(31.3%)

Revenue

In 2009, our revenue at the Group level decreased by €71.2 million, or 10.3%, to €619.6 million from €690.8 million in 2008. This decrease was primarily due to the effects of the global financial crisis which reduced demand for our products, particularly in Japan, Europe and North America.

During the years ended December 31, 2008 and 2009, revenue by geographic region consisted of the following:

	Year ended December 31,			At actual exchange rates	At constant exchange rates
	2008	2009	change	% change	% change
	(€ in millions, except percentages)				
Europe	178.5	150.9	(27.6)	(15.5%)	(14.8%)
North America	159.6	136.1	(23.5)	(14.7%)	(12.5%)
Japan	124.4	111.0	(13.4)	(10.8%)	(19.3%)
Asia-Pacific	202.0	193.9	(8.1)	(4.0%)	1.4%
Central and South America	26.3	27.7	1.4	5.3%	7.3%
Total	**690.8**	**619.6**	**(71.2)**	**(10.3%)**	**(9.9%)**

The global financial crisis reduced demand for our products, particularly in Japan, Europe and North America. At constant exchange rates, Asia-Pacific would have experienced a slight increase in revenue, but at actual exchange rates this region also experienced a decline of 4.0%.

The table below sets forth the breakdown of our revenue for the periods indicated.

	Year ended December 31,					At actual exchange rates	At constant exchange rates
	2008	(% of revenue)	2009	(% of revenue)	change	% change	% change
	(€ in millions, except percentages)						
Wholesale	237.0	34.3%	185.0	29.9%	(52.0)	(21.9%)	(19.7%)
Retail	435.7	63.1%	420.4	67.8%	(15.3)	(3.5%)	(4.0%)
Licenses and Services	11.2	1.6%	6.6	1.1%	(4.6)	(41.1%)	—
Rental of investment properties	6.9	1.0%	7.6	1.2%	0.7	(10.1%)	3.6%
Total	**690.8**	**100.0%**	**619.6**	**100.0%**	**(71.2)**	**(10.3%)**	**(9.9%)**

Wholesale

Revenue from our Wholesale Channel decreased by €52.0 million, or 21.9% at actual exchange rates and 19.7% at constant exchange rates, to €185.0 million in 2009, from €237.0 million in 2008. This decrease was primarily due to the global financial crisis and the accompanying reduction in consumer spending, particularly in North America, where we traditionally sell many products through the Wholesale Channel.

Retail

Revenue from our Retail Channel decreased by €15.2 million, or 3.5% at actual exchange rates and 4.0% at constant exchange rates, to €420.4 million in 2009, from €435.7 million in 2009. This decrease was primarily due to the global financial crisis and the accompanying reduction in consumer spending. Despite the financial crisis, we continued to expand the Retail Channel in 2009, opening 21 new points of sale (including 1 e-shop). Growth was concentrated in the Asia-Pacific region, including 3 new points of sale in each of Hong Kong, China and Korea, and 1 in each of Singapore and Macao. We also opened three stores in North America and remodeled existing stores. Other new stores were opened in Mexico (2 new DOS), Japan and Europe.

Licenses and services

Revenue from licenses and services decreased by €4.7 million, or 41.4% at actual exchange rates, to €6.5 million in 2009, from €11.2 million in 2008. These revenue included royalties and fees received from consulting services rendered to Zefer S.p.A., our joint venture with the Ermenegildo Zegna Group. See "Business—Our Business—Licenses and Services."

Rental of investment properties

Revenue from rental of investment properties increased by €0.7 million, or 10.1% at actual exchange rates and 3.6% at constant exchange rates, to €7.6 million in 2009, from €6.9 million in 2008. This increase was due mainly to the appreciation of the U.S. Dollar against the Euro in 2009.

The table below sets forth our revenue by product category for the periods indicated.

	Year ended December 31,					At actual exchange rates	At constant exchange rates
	2008	(% of revenue)	2009	(% of revenue)	change	% change	% change
	(€ in millions, except percentages)						
Footwear	252.4	36.5%	240.5	38.8%	(11.9)	(4.7%)	(3.4%)
Leather goods	222.7	32.2%	195.8	31.6%	(26.9)	(12.1%)	(11.4%)
Apparel	83.5	12.1%	76.6	12.4%	(6.9)	(8.3%)	(10.0%)
Accessories	68.1	9.9%	57.5	9.3%	(10.6)	(15.6%)	(15.7%)
Fragrances	46.0	6.6%	35.1	5.7%	(10.8)	(23.7%)	(23.9%)
Licenses and services	11.2	1.6%	6.5	1.1%	(4.7)	(41.4%)	—
Rental of investment properties	6.9	1.0%	7.6	1.2%	0.7	9.2%	3.6%
Total revenue	**690.8**	**100.0%**	**619.6**	**100.0%**	**(71.1)**	**(10.3%)**	**(9.9%)**

In 2009, with the exceptions of men's shoes (decrease of 0.9%), where sales volumes were essentially constant, and to a lesser extent women's shoes (decrease of 7.6%) and clothing (decrease of 8.3%), the difficult trading conditions led to sales decreases that were generally in the double digits in most merchandise categories.

Cost of sales and gross profit

	Year ended December 31,					
	2008	(% of revenue)	2009	(% of revenue)	change	% change
	(€ in millions, except percentages)					
Raw materials, accessories and consumable	(140.8)	(20.4%)	(153.9)	(24.8%)	(13.1)	(9.3%)
Costs of services	(125.7)	(18.2%)	(97.2)	(15.7%)	28.5	(22.7%)
Personnel costs	(4.9)	(0.7%)	(4.4)	(0.7%)	0.5	(10.2%)
Depreciation/amortization	(0.5)	(0.1%)	(0.5)	(0.1%)	—	—
Cost of sales	**(271.9)**	**(39.4%)**	**(256.1)**	**(41.3%)**	**15.8**	**(5.8%)**
Total revenue	**690.8**	**100.0%**	**619.6**	**100.0%**	**(71.2)**	**(10.3%)**
Gross profit	**419.0**	**60.6%**	**363.5**	**58.7%**	**(55.5)**	**(13.2%)**

The cost of sales decreased by €15.8 million, or 5.8%, to €256.1 million in 2009 (41.3% of revenue), from €271.9 million in 2008 (39.4% of revenue). This decrease was due to a decrease in sales volumes. Our gross profit also decreased by €55.5 million, or 13.2%, to €363.5 million (58.7% of revenue) in 2009, from €419.0 million (60.6% of revenue) in 2008; as a percentage of revenue, the decrease was 1.9%. The decrease was primarily due to an increase in sales at discount prices in the Retail Channel, decreases in royalties and income from rental of investment property and exchange rate effects.

Style, product development and logistics costs

Style, product development and logistics costs consist of purchases of materials, related services and personnel expenses (primarily at our headquarters) and depreciation/amortization. The table below shows our style, product development and logistics costs by category for the periods indicated.

	Year ended December 31,					
	2008	(% of revenue)	2009	(% of revenue)	change	% change
	(€ in millions, except percentages)					
Purchases	(2.3)	0.3%	(1.7)	0.3%	(0.6)	(26.1%)
Services	(14.5)	2.1%	(11.5)	1.9%	(3.0)	(20.7%)
Personnel	(12.7)	1.8%	(11.0)	1.8%	(1.7)	(13.4%)
Depreciation/amortization	(0.6)	0.1%	(0.6)	(0.1%)	—	—
Total	**(30.2)**	**4.4%**	**(24.8)**	**4.0%**	**(5.4)**	**(17.6%)**

Our style, product development and logistics costs decreased by €5.3 million, or 17.6%, to €24.8 million in 2009 (4.0% of revenue), from €30.2 million in 2008 (4.4% of revenue). The decrease was due partly to reduced sales volumes, but mainly to actions taken to contain costs in order to reduce the negative effects on income of the decrease in revenue. The decrease was primarily due to the decrease of €3.0 million in service costs, due to reduced use of external services by all the design, product development, production and outbound logistics departments and a decrease of €1.7 million in personnel costs, due to a reduction in staff and other cost-saving measures.

Selling and distribution costs

Selling and distribution costs refer to the cost of operating our Retail and Wholesale channels. The table below shows our selling and distribution costs by category for the periods indicated.

	Year ended December 31,					
	2008	(% of revenue)	2009	(% of revenue)	change	% change
	(€ in millions, except percentages)					
Purchases	(5.9)	(0.9%)	(4.9)	(0.8%)	1.0	(16.9%)
Services	(124.8)	(18.1%)	(127.2)	(20.5%)	(2.4)	1.9%
Personnel	(74.9)	(10.8%)	(70.2)	(11.3%)	4.7	(6.3%)
Depreciation/amortization	(15.7)	(2.3%)	(18.5)	(3.0%)	(2.8)	17.8%
Total	**(221.3)**	**(32.0%)**	**(220.8)**	**(35.6%)**	**0.5**	**(0.2%)**

Our selling and distribution costs were essentially flat in 2009 as compared to 2008 due to effective cost containment measures, even though our sales network expanded and exchange rates negatively affected our results of operations. Personnel costs decreased by €4.7 million, or 6.3%, to €70.2 million in 2009, from €74.9 million in 2008. This decrease in personnel costs was due to the containment of staff and a reduction in the variable portion of compensation tied to sales. Costs of services were essentially flat, increasing only by €2.4 million, or 1.9%, to €127.2 million in 2009, from €124.8 million in 2008. This slight increase in service costs was a result of the expansion of the sales network (net openings of 26 DOS) and the effects of exchange rates (depreciation of the Euro). We offset this increase by taking steps to contain costs given the decrease in our total sales.

Communication and marketing costs

Communication and marketing costs refer to costs associated with our marketing campaigns. The table below shows our communication and marketing costs by category for the periods indicated.

	Year ended December 31,					
	2008	(% of revenue)	2009	(% of revenue)	change	% change
	(€ in millions, except percentages)					
Purchases	(3.3)	(0.5%)	(3.0)	(0.5%)	0.3	(9.1%)
Services	(38.4)	(5.6%)	(21.9)	(3.5%)	16.5	(43.0%)
Personnel	(6.0)	(0.9%)	(6.4)	(1.0%)	(0.4)	(6.7%)
Depreciation/amortization	—	—	(0.1)	—	(0.1)	—
Total	**(47.7)**	**6.9%**	**(31.5)**	**5.1%**	**(16.2)**	**(34.0%)**

Our communication and marketing costs decreased by €16.2 million, or 34.0%, to €31.5 million in 2009, from €47.7 million in 2008. This decrease was due mainly to a reduction in the services item, which decreased by €16.5 million, or 42.8%, to €21.9 million in 2009, from €38.4 million in 2008 as a result of reduced communication activities in an extremely depressed market. Specifically, the decrease in service costs was due primarily to reduced advertising and to the extraordinary effects of the non-recurring event held in February 2008 in Shanghai, China, to celebrate the 80th anniversary of our brand.

General and administrative expenses

General and administrative expenses refer to the costs associated with our offices and showrooms and related expenses including costs associated with our real estate in the United States. The table below shows our general and administrative expenses by category for the periods indicated.

	Year ended December 31,					
	2008	(% of revenue)	2009	(% of revenue)	change	% change
	(€ in millions, except percentages)					
Purchases	(0.7)	(0.1%)	(0.6)	(0.1%)	0.1	(14.3%)
Services	(28.7)	(4.2%)	(29.5)	(4.8%)	(0.8)	2.8%
Personnel	(21.3)	(3.1%)	(20.2)	(3.3%)	1.1	(5.2%)
Depreciation/amortization	(5.3)	(0.8%)	(5.4)	(0.9%)	(0.1)	1.9%
Write-downs of property, plant and equipment, investment property and intangible assets	—	—	(0.2)	—	(0.2)	—
Total	**(56.0)**	**(8.1%)**	**(56.0)**	**(9.0%)**	**0.0**	**—**

Our general and administrative expenses were essentially flat in 2009 as compared to 2008.

Other operating expenses

Other operating expenses include the items listed in the table below.

	Year ended December 31,					
	2008	(% of revenue)	2009	(% of revenue)	change	% change
	(€ in millions, except percentages)					
Loss on disposal of non-current assets	(0.2)	—	(0.6)	—	(0.4)	—
Non-operating expenses	(0.1)	—	(1.7)	—	(1.6)	—
Provisions risks and charges	(2.5)	(0.4%)	(1.4)	(0.2%)	1.1	(44.0%)
Write-down of current assets	(0.9)	(0.1%)	(3.5)	(0.6%)	(2.6)	—
Other operating expenses	(5.9)	(0.9%)	(6.4)	(1.0%)	(0.5)	8.5%
Total	**(9.7)**	**(1.4%)**	**(13.6)**	**(2.2%)**	**(3.9)**	**40.2%**

Other operating expenses increased by €3.9 million, or 40.2%, to €13.6 million (2.2% of revenue) in 2009, from €9.7 million (1.4% of revenue) in 2008 primarily due to the €2.6 million write-down in current assets in 2009, which related primarily to a charge of €2.3 million for the writedown of trade receivables due from the perfumes distributor for Japan, which went bankrupt in that year.

Other income

The table below presents our other income by category for the periods indicated.

	Year ended December 31,					
	2008	(% of revenue)	2009	(% of revenue)	change	% change
	(€ in millions, except percentages)					
Other revenue and income	6.8	1.0%	17.9	2.9%	11.1	163.2%
Gains on disposal of property, plant and equipment, investment property and other intangible assets with definite useful life	2.3	0.3%	0.1	—	(2.2)	(97.4%)
Non-recurring income	0.6	0.1%	1.7	0.3%	1.1	183.3%
Total	**9.7**	**1.4%**	**19.7**	**3.2%**	**10.0**	**102.7%**

Other revenue and income increased by €10.0 million to €19.7 million (3.2% of revenue) in 2009, from €9.7 million (1.4% of revenue) in 2008. The increase was mainly due to the release of the €5.8 million provision for risks and charges in 2009 in connection with the settlement of the FIBV tax litigation. See "—Factors Impacting our Results of Operations—Tax Litigation Settlement."

Operating income

Operating income decreased by €27.3 million to €36.5 million (5.9% of revenue) in 2009, from €63.8 million (9.2% of revenue) in 2009. As described above, the decrease in 2009 was primarily attributable to the difficult economic situation in 2009.

Net financial income (expenses)

	Year ended December 31,					
	2008	**(% of revenue)**	**2009**	**(% of revenue)**	**change**	**% change**
	(€ in millions, except percentages)					
Net interest expense	(4.2)	(0.6%)	(2.2)	(0.4%)	2.0	(47.6%)
Other net income/(expense)	(1.1)	(0.2%)	(1.2)	(0.2%)	(0.1)	9.1%
Gain/(loss) on exchange rate	2.6	0.4%	(0.4)	(0.1%)	(3.0)	—
Financial gain/(loss) on fair value adjustment of derivatives	2.3	0.3%	1.8	(0.3%)	(0.5)	(27.7%)
Impairment of investment in other companies	—	—	—	—	—	—
Total	**(0.4)**	**(0.1%)**	**(2.1)**	**(0.3%)**	**(1.7)**	**—**

Net financial expenses increased by €1.7 million to €2.1 million in 2009, from €0.4 million in 2008. These results were primarily attributable to the loss in 2009 on exchange rates and to the financial loss on fair value adjustments of derivatives. These effects were partially offset by the decrease of net interest expenses due to the reduction in net financial indebtedness. For additional information on our foreign exchange hedging policies, see "—Quantitative and Qualitative Disclosures about Market Risk—Effects of Foreign Currency Exchange Rate Exposure."

Share of profit of associates

The share of profit of associates, decreased by €0.4 million, or 50.0%, to €0.4 million in 2009, from €0.8 million in 2008. This is related to the investment in Zefer S.p.A.

Income before income taxes

The table below presents show our income before income taxes and a breakdown of our income taxes, together with a reconciliation of the income taxes recorded and the theoretical taxes resulting from application, to income before income taxes, of the tax rate in effect for the Company in the periods indicated.

	Year ended December 31,	
	2008	2009
	(€ in millions)	
Income before income taxes	**64.2**	**34.8**
Current taxes	(20.2)	(17.5)
Deferred taxes	4.8	11.2
Prior periods income taxes	(10.0)	(43.1)
Total	**(25.3)**	**(49.5)**
Income before income taxes	64.2	34.8
IRES rate in effect for the period	*27.50%*	*27.50%*
Statutory income taxes	**17.7**	**9.6**
IRAP effect	3.1	2.5
Non-deductible costs	0.3	(1.1)
Different tax rates applying to foreign subsidiaries	(5.4)	(3.4)
Prior years income taxes	10.0	43.1
Other effects	(0.3)	(1.3)
Total differences	**7.7**	**39.9**
Income taxes	**25.3**	**49.5**
Effective tax rate	**39.5%**	**142.1%**

The effective tax rate for 2009 of 142.1% of income before income taxes, was affected by non-recurring taxes related to the settlement of the FIBV tax litigation. See "—Factors Impacting Our Results of Operations—Tax litigation settlement" and "Business—Litigation and Other Proceedings."

Net income/(loss)

	Year ended December 31,					
	2008	(% of revenue)	2009	(% of revenue)	change	% change
	(€ in millions, except percentages)					
Net income/(loss) for the period	38.9	5.6%	(14.7)	(2.4%)	(53.6)	—
Net income/(loss) attributable to owner of the parent	29.8	4.3%	(20.9)	(3.4%)	(50.7)	—
Net income/(loss) attributable to non-controlling interests shareholders	9.0	1.3%	6.2	1.0%	(2.8)	(31.1%)

Our net income decreased by €53.6 million to a loss of €14.7 million in 2009 from net income of €38.9 million in 2008. This decrease in net income was due, other than 2009 revenue decrease, to the non-recurring payment in 2009 to settle the FIBV tax litigation (the financial impact of this payment on our 2009 income was €43.1 million). See "—Factors Impacting Our Results of Operations—Tax litigation settlement" and "Business—Litigation and Other Proceedings."

Non-controlling Interests

The table below shows the contribution to net income of subsidiaries in which the Group does not hold 100% of the share capital.

	Year ended December 31, 2008			Year ended December 31, 2009		
	contribution to net income	% non-controlling interests	contribution to non-controlling interests	contribution to net income	% non-controlling interests	contribution to non-controlling interests
	(€ in millions, except percentages)					
Ferragamo Japan	(0.2)	29%	(0.05)	(1.8)	29%	(0.5)
Ferragamo Retail India	(0.5)	49%	(0.2)	(0.6)	49%	(0.3)
Subtotal	**(0.7)**	**—**	**(0.3)**	**(2.5)**	**—**	**(0.8)**
Ferrimag	(0.3)	50%	(0.2)	(0.3)	50%	(0.1)
Ferragamo Retail Hong Kong	3.1	50%	1.6	1.6	50%	0.8
Ferragamo Retail Taiwan	0.7	50%	0.4	0.9	50%	0.5
Ferragamo Fashion Shanghai	6.5	50%	3.2	8.9	50%	4.4
Ferragamo Moda Shanghai	0.4	50%	(0.2)	(0.3)	50%	(0.1)
Ferragamo Retail Macau	—	40%	—	(0.4)	40%	(0.1)
Subtotal	**10.4**	**—**	**5.2**	**10.5**	**—**	**5.3**
Ferragamo Korea	7.6	50%	3.8	4.6	50%	2.3
Ferragamo Singapore	0.7	50%	0.4	—	50%	—
Ferragamo Malaysia	0.4	50%	0.2	0.2	50%	—
Ferragamo Thailand	(0.3)	50%	(0.1)	(0.3)	50%	(0.2)
Subtotal	**8.4**	**—**	**4.2**	**4.4**	**—**	**2.2**
Ferragamo Suisse	—	49%	—	(0.8)	49%	(0.4)
Total	**18.1**	**—**	**9.1**	**11.6**	**—**	**6.2**

The contribution to net income of our various joint ventures decreased by €6.5 million, or 35.9%, to €11.6 million in 2009, from €18.1 million in 2008. This was due to adverse market conditions related to the global financial crisis as well as investments in establishing or expanding joint ventures in the Asia-Pacific region. See "Business—Joint Ventures and Distribution Contracts."

Liquidity and Capital Resources

Our principal sources of liquidity are cash flow from operating activities, bank credit lines and other forms of indebtedness. Our primary needs for liquidity are to fund working capital, repay debt and make investments to grow our business. We believe that our current cash flow from operating activities and existing bank financing will provide us with sufficient liquidity to meet our current working capital needs.

Cash Flow Statement Data

As at December 31, 2010 and March 31, 2011, respectively, we had cash and cash equivalents of €132.5 million and €107.4 million.

The table below summarizes our cash flow for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2008	2009	2010	2010	2011
	(€ in millions)				
Net income/(loss) for the period	**38.9**	**(14.7)**	**60.8**	**10.8**	**15.5**
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:					
Depreciation and amortization	22.2	25.4	26.7	6.6	6.3
Deferred taxes	(4.9)	(11.2)	(2.5)	(0.2)	(2.9)
Tax refund	—	—	—	—	(5.6)
Provision for employee termination indemnities	4.2	3.5	3.7	0.8	0.8
Provision for inventory obsolescence	12.9	2.6	(3.3)	2.1	1.8
Provision for doubtful accounts	0.9	3.5	1.7	0.3	0.4
(Gain)/loss on disposal of property, plant and equipment and investment property	(2.1)	0.5	0.6	—	—
Share of profit of associates	(0.4)	—	—	—	(0.2)
Other non cash items	2.9	1.4	3.0	0.1	—
Changes in operating assets and liabilities:					
Trade receivables	(3.7)	4.6	(16.7)	1.2	3.6
Inventories	(44.1)	23.7	3.3	(7.8)	(17.6)
Trade payables	(6.7)	(17.0)	25.1	9.0	18.8
Tax receivables	(4.1)	6.0	(0.2)	1.9	(1.5)
Income tax payables	(0.7)	7.5	9.6	(2.7)	(11.4)
Payment of employee termination indemnities	(4.8)	(3.7)	(4.1)	(1.3)	(0.9)
Other	4.7	(9.3)	13.9	11.9	11.3
Net cash flow provided by operating activities	**15.5**	**23.1**	**121.6**	**32.7**	**18.5**
Cash flow from investing activities:					
Additions to property, plant and equipment	(24.9)	(18.3)	(18.2)	(2.3)	(4.3)
Additions to intangible assets	(3.3)	(2.6)	(3.5)	(0.8)	(0.8)
Net increase/(decrease) in other non-current asset and liabilities	(1.8)	1.0	(0.3)	(0.1)	(0.3)
Proceeds from disposal of property, plant and equipment and intangible assets	2.8	0.1	0.3	—	—
Net cash flow used in investing activities	**(27.1)**	**(19.7)**	**(21.7)**	**(3.3)**	**(5.4)**

	Year ended December 31,			Three months ended March 31,	
	2008	2009	2010	2010	2011
			(€ in millions)		
Cash flow from financing activities:					
Net (increase)/decrease in financial assets	(3.3)	2.8	(1.8)	1.1	2.0
Net increase/(decrease) in financial liabilities	33.5	(2.4)	(23.2)	(16.7)	(29.9)
Payment of dividends to owners of the parent	(7.4)	—	(15.1)	—	—
Payment of dividends to non-controlling interests shareholders	(0.6)	(3.1)	(10.8)	—	(4.0)
Other increase/decrease in non-controlling interests	—	0.2	—	—	—
Net cash flow provided by/(used in) financing activities	**22.1**	**(2.5)**	**(50.9)**	**(15.7)**	**(32.0)**
Cash and cash equivalents at the beginning of the period	**64.8**	**77.1**	**77.0**	**77.0**	**132.5**
Net increase in cash and cash equivalents	10.5	0.9	49.0	13.7	(18.9)
Effect of exchange rates on cash and cash equivalents	1.7	(1.0)	6.5	5.0	(6.2)
Cash and cash equivalents at the end of the period	**77.1**	**77.0**	**132.5**	**95.7**	**107.4**

Net Cash Flow Provided by Operating Activities

Three months ended March 31, 2010 and March 31, 2011

In the three months ended March 31, 2011, net cash flow from operating activities decreased by €14.2 million to a cash flow from operating activities of €18.5 million in 2011 from €32.7 million in the corresponding period in 2010. In the first quarter of 2011, a reduction in our trade receivables generated €3.6 million and an increase in trade payables generated €18.8 million, due to a corresponding €17.6 million increase in our inventories. These results were primarily due to the increased sales volume in the first quarter of 2011, which required larger inventories of raw and component materials to be purchased from suppliers (thereby generating increased trade payables). Additionally, in March 2011, tax authorities recognized a tax refund of approximately €5.6 million stemming from taxes paid in the Netherlands by FIBV (see "Business—Litigation and Other Proceedings").

Years ended December 31, 2009 and December 31, 2010

Net cash flow from operating activities increased by €98.5 million to €121.6 million in 2010 from €23.1 million in 2009. The increase was primarily attributable to increased sales volumes in 2010 and the non-recurring tax payment in 2009, which lead to significantly increased net income in 2010 (compared to a loss in 2009). In addition, the result in 2010 was due to a €16.7 million increase in trade receivables and the generation of cash following the €3.3 million decrease in inventory, as well as a €25.1 million increase in trade payables. The change in inventory largely reflected increased sales and production volumes in 2010. The increase in trade receivables was due to the recovery of wholesale sales, and the increase in trade payables was due mainly to the increase in purchases for production. In addition, cash flows from operating activities in 2010 also included the release of €3.3 million in provisions for the write-down of obsolete inventory and a €2.5 million change in prepaid and deferred taxes.

Years ended December 31, 2008 and December 31, 2009

Net cash flow from operating activities increased by €7.6 million to €23.1 million in 2009 from €15.5 million in 2008. Despite the net loss in 2009 (due to the non-recurring tax payment), net cash flow from operating activities increased in 2009. This result was due to the reduction in trade receivables and inventory (due to lower sales in 2009), which generated cash of €4.6 million and €23.7 million, respectively. In addition, the reduction in trade payables, was due mainly to lower purchases for production, used €17.0 million in cash. In addition, inventory write-downs were taken in 2009 totaling €2.6 million and an €11.2 million change in prepaid and deferred taxes was recorded.

Net Cash Used in Investing Activities

Three months ended March 31, 2010 and March 31, 2011

Net cash flow used in investing activities increased by €2.1 million to €5.4 million used in the three months ended March 31, 2011 from €3.3 million used in the corresponding period in 2010. This was due to investments made in new points of sale, investments in software and hardware and consulting fees.

Years ended December 31, 2009 and 2010

Net cash flow used in investing activities increased by €2.0 million to cash used of €21.7 million in 2010 from cash used of €19.7 million in 2009. Our operating investments consisted mainly of property, plant and equipment for the remodeling and the opening of stores and certain charges related to the transfer and assumption of existing leases. Over the course of 2008, 2009 and 2010, we operated, respectively, 273, 299 and 312 DOS.

Years ended December 31, 2008 and 2009

Net cash flow used in investing activities decreased by €7.4 million to cash used of €19.7 million in 2009 from cash used in 2010 of €27.1 million in 2008. Similar to the investments recorded in 2010, cash flow used in investing activities in 2009 related to property, plant and equipment for the expansion of our Retail Channel and associated costs. At December 31, 2008, the 'shareholdings' item consisted of the acquisition of 51% of the Indian company Nelia Retail Private Limited for €1.2 million (net of €1.3 million in cash on hand at the company, the acquisition resulted in a net positive financial effect of €57,000).

Net Cash Provided by/(Used in) Financing Activities

Three months ended March 31, 2010 and March 31, 2011

In the three months ended March 31, 2011, net cash flow used in financing activities increased by €16.3 million to €32.0 million from €15.7 million in the corresponding period in 2010. This was due to our repayment of borrowings under our various lines of credit as well as dividend payments of €4.0 million to non-controlling interests shareholders in the first quarter of 2011 (no dividends were paid in the first quarter of 2010).

Years ended December 31, 2009 and 2010

Cash flow used financing activities increased by €48.4 million to cash used of €50.9 million in 2010 from cash used of €2.5 million in 2009. The increase in cash used in 2010 is primarily attributable to the payment of dividends amounting to €25.9 million, of which €15.1 million was paid to controlling shareholders and €10.8 million to non-controlling interests shareholders as well as repayments made on our borrowings.

Years ended December 31, 2008 and 2009

Cash flow from financing activities was equal to €22.1 million in 2008 compared to cash used in financing activities of €2.5 million in 2009. This result was primarily due to the use of credit lines in 2008 partially offset by the payment of €8.0 million in dividends.

Cash and Funding Sources

We finance working capital and new investments with short-term debt, cash and other short-term funding, primarily in the form of credit lines from banks (maturing in less than three months) and current accounts balances. As at March 31, 2011, we did not have any committed long-term credit lines. With respect to short-term debt, as at March 31, 2011, we had outstanding borrowings under our credit lines (including debit balances on current accounts) of €111.6 million against total available facilities of €403.7 million, of which €295.0 million are committed credit lines with fixed expiration dates, and €108.7 million, respectively, are uncommitted lines and payable on demand. See "Risk Factors—Risk Factors Related to Our Business—We do not have committed long-term credit lines and we are subject to risks relating to fluctuations in interest rates." Our largest committed credit line is our €100 million revolving, multicurrency, multi-borrower credit facility (the "**Stand-by Club Deal**"), which matures in December 2011 and under which we had €34.0 million in outstanding borrowings as at March 31, 2011.

The table below sets forth our cash and funding sources as at the dates indicated.

Net Financial Indebtedness

	As at December 31,			As at March 31,
	2008	2009	2010	2011
	(€ in millions)			
Long-term financial liabilities[1]	(0.2)	—	—	(39.3)
Short-term financial liabilities[2]	(165.2)	(158.7)	(152.2)	(117.1)
Total financial liabilities	**(165.7)**	**(158.7)**	**(152.2)**	**(154.4)**
Cash and cash equivalents[3]	78.2	77.4	132.9	107.8
Other current financial assets[4]	3.5	1.3	1.2	1.1
Net financial indebtedness[5]	**(84.0)**	**(80.0)**	**(18.2)**	**(47.5)**

(1) On February 28, 2011, we entered into an agreement with Imaginex Holdings Limited and Imaginex Overseas Limited ("**Imaginex**," see "Related Party and Certain Other Transactions") pursuant to which we agreed to purchase on January 1, 2013 a portion of Imaginex's shareholdings in Ferrimag Ltd, Ferragamo Moda Shanghai Ltd. and Ferragamo Retail Macau Ltd. for €41.2 million, thereby increasing the Group's ownership interest in these companies to approximately 75%. As at March 31, 2011, the value of this future purchase obligation was recorded on the Group's statement of financial position for €39.3 million.

(2) Includes provisions for the value of the put option of the non-controlling interests shareholders of Ferragamo Japan, other debt to the non-controlling interests shareholders of Ferragamo Retail India and certain loans granted by the non-controlling interests shareholder of Ferragamo Macau.

(3) Includes cash, amounts due from banks maturing in less than three months and positive bank current account balances.

(4) Includes the positive fair value of financial instruments, limited to that share designated as not used for hedging as well as government securities and shares in investment funds.

(5) As established by CONSOB Communication DEM/6064293 of July 28, 2006, net financial indebtedness is calculated (in accordance with CESR Recommendation 05-054/b of February 10, 2005) as the sum of total financial liabilities net of cash and cash equivalents and other current financial assets. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

Cash and cash equivalents

The table below sets forth the breakdown of our cash and cash equivalents as at the dates indicated.

	As at December 31,			As at March 31,
	2008	2009	2010	2011
	(€ in millions)			
Time deposits	46.8	34.9	85.1	56.9
Current accounts	31.1	42.1	47.3	50.5
Cash and cash on hand	0.4	0.5	0.5	0.3
Total cash and cash equivalents	**78.2**	**77.4**	**132.9**	**107.8**

Short-term financial liabilities

The following table sets forth our short-term debt to banks and other lenders as at the dates indicated.

	As at December 31,			As at March 31,
	2008	2009	2010	2011
	(€ in millions)			
Short-term debt to banks and other lenders				
Due to banks(1)	162.4	154.4	145.8	111.2
Current accounts	1.2	0.4	0.4	0.4
Total use of credit lines and current accounts(1)	**163.6**	**154.8**	**146.2**	**111.6**
Fair value of derivative instruments	0.3	0.6	1.4	1.2
Other financial debts(2)	1.7	3.4	4.6	4.3
Total	**165.5**	**158.7**	**152.2**	**117.1**

(1) Break down provided in tables below.

(2) Other financial debts includes liabilities primarily deriving from our joint venture operations in Asia. As at December 31, 2010 and March 31, 2011, other financial debts totaled €4.6 million and €4.3 million, respectively, of which €3.1 million and €2.8 million, respectively, represented the value recognized for the put option granted to Ferragamo Japan's non-controlling interests shareholders to sell their 29% shareholding in that company to us pursuant to the terms and conditions set forth in the shareholders' agreement signed between the non-controlling interests shareholders and the Company.

Total use of credit lines and current accounts

As of December 31, 2010 and March 31, 2011, we had outstanding borrowings under our credit lines (including debit balances on current accounts) of €146.2 million and €111.6 million, respectively, against total available facilities of €405.9 million and €403.7 million, respectively, of which €295.0 million are committed credit lines with fixed expiration dates, and €110.9 million and €108.7 million, respectively, are uncommitted lines and payable on demand. The €2.2 million reduction in available uncommitted credit lines between December 31, 2010 and March 31, 2011 is due to the effect of currency fluctuations on credit lines in currencies other than Euro.

The table below sets forth the breakdown of our credit lines between committed and uncommitted lines as at the dates indicated.

	As at December 31, 2010		As at March 31, 2011	
	Total Credit Line	Outstanding	Total Credit Line	Outstanding
	(€ in millions)			
Credit lines (including bank accounts)				
Stand-by Club Deal	100.0	54.7	100.0	34.0
Other committed credit lines	195.0	67.9	195.0	64.8
Uncommitted credit lines	110.9	23.7	108.7	12.8
Total	**405.9**	**146.2**	**403.7**	**111.6**

The table below describes our credit lines as at March 31, 2011 and borrowings under such facilities as at that date.

	Type	Expiration	Facility	Outstanding
			(€ in millions)	
Committed credit lines				
Stand-by Club Deal(1)	Committed, revolving, multi-currency and multi-borrower	12/15/2011	100.0	34.0
Intesa Sanpaolo(2)	Committed, revolving, multi-currency and multi-borrower	See note(2)	75.0	34.4
Banca Nazionale del Lavoro(3)	Committed, revolving	05/04/2012	40.0	19.0
Monte dei Paschi di Siena(4)	Committed, revolving, multi-currency and multi-borrower	See note(4)	35.0	—
Monte dei Paschi di Siena(5)	Committed, revolving, multi-currency and multi-borrower	02/01/2013	25.0	1.4
Cariparma(6)	Committed, revolving	11/02/2012	10.0	10.0
Cariparma(7)	Committed, revolving, multi-borrower	11/02/2012	10.0	—
Total committed credit lines			**295.0**	**98.8**
Uncommitted credit lines				
Banca Popolare di Bergamo—Company	Line of credit	uncommitted	15.0	—
Banca Sella—Company	Line of credit	uncommitted	15.0	—
Banca CR Firenze—Company	Line of credit	uncommitted	14.0	—
Banca Passadore—Company	Line of credit	uncommitted	10.0	—
Cariprato—Ferragamo Parfums	Line of credit	uncommitted	6.0	—
Intesa Sanpaolo NY—Ferragamo USA	Line of credit	uncommitted	7.0	3.5
Bank of Tokyo Mitsubishi—Ferragamo Japan	Line of credit	uncommitted	2.6	—
Mizuho Bank—Ferragamo Japan	Line of credit	uncommitted	17.0	0.4
HSBC—Ferragamo Korea	Line of credit	uncommitted	6.4	—
HSBC—Ferragamo Thailand(8)	Line of credit	uncommitted	2.6	1.4
HSBC—Ferragamo Singapore	Line of credit	uncommitted	4.2	3.0
Calyon—Ferragamo Thailand	Line of credit	uncommitted	4.3	1.4
Hang Seng—Ferragamo Retail Hong Kong	Line of credit	uncommitted	2.7	2.7
Other(9)	Various forms	N/A	2.0	0.4
Total uncommitted credit lines			**108.7**	**12.8**
Total			**403.7**	**111.6**

(1) The Stand-by Club Deal includes the following lenders with the indicated participations: BNP Paribas (€25 million), Calyon (€25 million) and Intesa Sanpaolo (€50 million). It was first signed in 2002 and renegotiated in December 2006 and again in April 2008. It allows the Group companies Ferragamo Parfums, Ferragamo USA and Ferragamo Japan to draw down against the line of credit in their countries of residence and in local currencies, subject to the Company's approval. As at March 31, 2011, the following Group companies had drawn down against the Stand-by Club Deal for the amounts indicated: Ferragamo USA ($6 million (or €4.2 million)) and Ferragamo Japan (¥3.500 billion (or €29.8 million)). We are currently seeking to renew this facility.

(2) This facility was cancelled on May 26, 2011 and a new, analogous facility was entered into on June 1, 2011, which has a final maturity date of November 30, 2012. The facility has a nominal amount of €75 million and can be drawn down in U.S. Dollars, Australian Dollars, British pounds, Swiss francs and Mexican pesos. As at March 31, 2011, the majority of our Group companies used this line, especially Ferragamo USA, Ferragamo Japan, Ferragamo Mexico and the Group's various European subsidiaries.

(3) This facility has a nominal amount of €40 million and can be drawn down in Euro by the Company.

(4) This facility expired on March 28, 2011. On March 28, 2011, the bank approved the renewal of the facility, but as at March 31, 2011, the Company has not yet signed the renewed credit line and was evaluating other potential sources of financing.

(5) This facility has a nominal amount of €25 million and can be drawn down in U.S. Dollars, British pounds and Swiss francs. As at March 31, 2011, all borrowings were allocated to Ferragamo Parfums in the amount of €1.4 million.

(6) This facility has a nominal amount of €10 million and can be drawn down by the Company.

(7) This facility has a nominal amount of €10 million and can be drawn down in U.S. Dollars, Australian Dollars, British pounds.

(8) On June 6, 2011, the bank approved the renewal of the facility and increased the nominal amount of such facility to €3.6 million. We are currently finalizing negotiations for this facility.

(9) This item includes, *inter alia,* two credit facilities entered into by Ferragamo Retail Taiwan with HSBC and Chinatrust Commercial Bank. On May 9, 2011, HSBC approved the renewal of the respective facility provided by such bank and increased the nominal amount of such facility to €2.8 million; certain financial covenants were added to the terms of the facility. On May 11, 2011, Chinatrust Commercial Bank approved the renewal of the respective facility provided by such bank and increased the nominal amount to €2.2 million. We are currently finalizing negotiations for these facilities.

Operating Ratios

Net financial indebtedness as a percentage of financing sources

The table below shows our net financial indebtedness as a percentage of financing sources as at the dates indicated.

	As at December 31,			As at March 31,
	2008	**2009**	**2010**	**2011**
Ratio—net financial indebtedness[(1)]/total financing sources[(2)]	30.1%	29.3%	7.0%	21.7%

(1) As established by CONSOB Communication DEM/6064293 of July 28, 2006, net financial indebtedness is calculated (in accordance with CESR Recommendation 05-054/b of February 10, 2005) as the sum of total financial liabilities net of cash and cash equivalents and other current financial assets. As net financial indebtedness is not an indicator defined by the accounting principles used by our Group, our method of calculating net financial indebtedness may not be strictly comparable to that used by other companies. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

(2) Total financing sources are calculated as shareholders' equity minus net financial indebtedness.

Financial expenses as percentage of EBITDA and operating income

The table below shows our financial expenses as a percentage of EBITDA and operating income for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2008	**2009**	**2010**	**2010**	**2011**
	(€ in millions, except percentages)				
Financial expenses[(1)]	**7.2**	**4.0**	**4.2**	**0.9**	**1.0**
EBITDA[(2)]	85.6	61.9	113.1	19.8	27.3
Financial expenses as a percentage of EBITDA	8.3%	6.4%	3.7%	4.6%	3.7%
Operating income	63.8	36.5	86.4	13.2	21.0
Financial expenses as a percentage of operating income	11.2%	10.9%	4.9%	6.9%	4.9%

(1) Includes bank interest owed.

(2) EBITDA is measured by our management to evaluate operating performance. We define EBITDA as operating income plus (i) depreciation of property, plant and equipment, investment property, (ii) amortization of other intangible assets with definite useful life and (iii) write-downs of property, plant and equipment, investment property and other intangible assets with definite useful life and goodwill. We believe that EBITDA is an important indicator for measuring the Group's performance as it is not influenced by various methods of calculating taxes, amortization or depreciation. As EBITDA is not an indicator defined by the accounting principles used by our Group, our method of calculating EBITDA may not be strictly comparable to that used by other companies. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

Financial expenses were significantly reduced in 2010 and 2009 due to the reduction in market interest rates, a trend which was especially pronounced in 2009, and by the downward trend in the Group's total debt. Financial expenses as a percentage of operating income decreased significantly in 2010 as compared to 2009 and 2008, primarily due to the 136% increase in Group's operating income in 2010.

For additional operating ratios, see "Selected Consolidated Financial Data."

Changes in Net Working Capital

The following table sets forth our changes in net working capital for the periods indicated.

	Year ended December 31,				
	2008	2009	2010	% change 2008–2009	% change 2009–2010
	(€ in millions, except percentages)				
Changes in net working capital					
Inventories	192.2	162.3	182.8	(15.6%)	12.6%
Trade receivables	66.2	57.3	75.4	(13.4%)	31.6%
Trade payables	(94.4)	(77.3)	(103.6)	(18.1%)	34.0%
Total changes in net working capital	**164.0**	**142.3**	**154.6**	**(13.2%)**	**8.6%**

Working capital increased by €12.3 million, or 8.6%, from €142.3 million (23.0% of revenue) in 2009 to €154.6 million (23.7% of revenue) in 2010. The increase in working capital is primarily a result of a €20.5 million, or 15.6%, increase in inventories related to a €20.5 million increase due to foreign exchange effects on finished products held by Group companies and a €5.6 million increase in the inventory of raw materials and components, which were both partially offset by a €5.6 million decrease in our inventories of finished products. As conditions improved in 2010, our sales improved and we increased our production. Greater production necessitated the purchase of raw materials and components, which had the effect of increasing trade payables by €26.3 million, or 34.0%. Wholesale sales also increased, and as a result trade receivables increased by €18.1 million, or 31.6%.

Working capital decreased by €21.7 million, or 13.2%, from €164.0 million in 2008 to €142.3 million in 2009. The decrease in working capital largely reflects a €29.9 million, or 15.6% decrease in inventories due to the following factors: (i) a €20.2 decrease in inventory of finished products, (ii) a €6.1 million decrease in the inventory of raw materials and components and (iii) a €3.5 million decrease due to foreign exchange effects. Due to adverse trading conditions, we reduced our production and our stock of furnished products. Trade receivables declined by €8.9 million, or 13.4%, from 2008 to 2009, due to a decline in wholesale sales. Trade payables declined by €17.1 million, or 18.1%, from €94.4 million in 2008 to €77.3 million in 2009; this reduction reflects fewer purchases of raw materials and supplies for production.

Capital Expenditures

The following table sets forth our capital expenditures for the periods indicated.

	Year ended December 31,		
	2008	2009	2010
	(€ in millions)		
Capital expenditures			
Property, plant and equipment	24.4	18.3	18.2
Intangible assets	4.0	2.6	3.5
Total capital expenditures	**28.4**	**20.9**	**21.7**

Our capital expenditure for the years ended December 31, 2008, 2009 and 2010 primarily consisted of capital expenditures for property, plant and equipment needed to expand our Retail Channel, including the opening of new DOS and the renovation of existing points of sale. Specifically, for 2010, 2009 and 2008, approximately 70%, 80% and 70%, respectively, of capital expenditures on property, plant and equipment related to the opening and renovating of DOS. In addition, capital expenditure in property, plant and equipment during the three-year period also included renovations and refurbishments of our merchandise storage facility in Osmannoro, Italy. Capital expenditure allocated to intangible assets during the three-year period related to key money payments for obtaining new store leases, software, information systems and e-commerce infrastructure related to our e-shop platform.

The table below sets forth our capital expenditure in projects that are currently underway.

Current capital expenditures	Year ended December 31, 2010
	(€ in millions)
Long-term capital expenditures in property, plant and equipment	
Work in progress in Italy	0.8
Renovations and opening of new DOS	0.5
Long-term capital expenditures in property, plant and equipment total	**1.3**
Long term capital expenditures in intangible assets	
Marlin Project	1.2
Other IT projects (including e-commerce)	0.7
Long-term capital expenditures in intangible assets total	**1.9**
Total current capital expenditures	**3.2**

As illustrated by the table above, the Group's capital expenditures in progress are allocated primarily in the areas of: (i) work in progress in Italy (which relates to the renovation of the Osmannoro facility) and (ii) the "Marlin Project" which is a three year project (2011-2013) to improve our logistics processes and IT systems in Group subsidiaries in Greater China, Japan and Korea. See "Business—Information Technology."

Contractual Obligations and Off Balance Sheet Items

The following table sets forth, as at December 31, 2010, our contractual obligations and off balance sheet items, based upon the period in which payments are due. The information presented in this table reflects, in part, management's estimates of the contractual maturities of our obligations, which may differ significantly from the actual maturities of these obligations.

	Total	Less than 1 year	1–5 years	Over 5 years
	(€ in millions)			
Contractual obligations				
Short-term debt	152.2	152.2	—	—
Trade payables	103.6	103.6		
Lease obligations for property[(1)]	350.8	63.7	147.6	139.4
Severance pay fund[(2)]	2.0	—	—	—
TFR (employee termination indemnities)[(3)]	7.3	—	—	—
Total	**615.9**	**319.5**	**147.6**	**139.4**

(1) Includes the Group's contractual lease obligations to certain counterparties under other property leases (including showrooms, DOS, offices and other facilities) to which the Group is a lessee.

(2) We have relationships with certain agents that distribute our products through the wholesale distribution channel and we are required to provide certain severance benefits in the event of a termination. These obligations do not have a predictable maturity date.

(3) Italian law provides that, upon termination of employment, employees are entitled to severance pay (*trattamento fine rapporto*) based on their annual salary, length of employment and the rate of inflation. As at December 31, 2010, our provisions for retirement benefit obligations for our employees totaled €9.3 million (of which €7.3 million referred to TFR). These obligations do not have a predictable maturity date.

Quantitative and Qualitative Disclosures about Market Risk

Financial Risk Management

We are exposed to various financial risks in the normal course of business, particularly market risks which we define as (i) interest rate risks related to the effects of changing market interest rates; (ii) exchange rate risks resulting from our operations in countries with currencies other than the Euro; (iii) liquidity risks related to the availability of financial resources and ease of access to the credit market, and related to the need to meet our short-term financial commitments and (iv) credit (or counterparty) risks, which represent the risk of non-fulfillment of commercial or financial obligations accepted by our various counterparties and which arise from normal commercial transactions or financings, investments and risk hedging.

We manage financial risks at the Group level on the basis of guidelines defined by our board of directors. This permits the control and coordination of the operations of individual subsidiaries, as well as the systematic monitoring of the Group's cash levels and exposure to financial risks, assisting in the management of relations with financial institutions. We aim to manage financial risks by minimizing their relative impact, including through the use of derivative instruments, which are used solely for hedging purposes (IFRS requires some derivatives to be classified as trading derivatives, even if entered into for hedging purposes).

Exchange Rate Risk Management

Our foreign exchange risks consists of both currency transaction risk and currency translation risk. The Group's policy is not to hedge its exposure to currency translation risk. Rather, the Group has a policy of hedging economic and transactional risks related to currency fluctuations, particularly for risks that may arise at some point in time between when the obligation to pay arises and the moment that payment actually occurs, for example between invoicing and settlement. The Group manages foreign exchange risk by systemically hedging the sales flows arising from projected sales in currencies other than the Euro, in order to mitigate the risk of variability in the expected margin arising from sales of future collections.

We conduct operations in many countries around the world and report our consolidated financial statements in Euro. Therefore, our results of operations are affected by exchange rate fluctuations between the Euro and other currencies, in particular U.S. Dollars and Japanese Yen (and, to a lesser extent, British Pounds, Mexican pesos, Swiss francs and Australian Dollars).

In addition, we are exposed to certain economic risks due to the variance in cost and revenue in a foreign currency compared to the moment when price conditions are established.

Currency Translation Risk

The results of our overseas subsidiaries are translated into the Group's presentation currency (Euro) at the average exchange rate for the reporting period. The average exchange rate is used, as it is considered to approximate the actual exchange rates on the date of the transactions. The assets and liabilities of such undertakings are translated at year end exchange rates. Differences arising on the retranslation of the opening net investment in subsidiary companies, and on the translation of their results, are taken directly to the foreign currency translation reserve within equity.

Effects of Exchange Rate Exposure

A large percentage of our sales are in currencies other than the Euro, particularly sales of products from Salvatore Ferragamo S.p.A. to various companies in the Group worldwide, many of which are recorded in currencies other than the Euro, in particular the U.S. Dollar and the Japanese Yen. For the year ended December 31, 2010, the percentage of revenue recorded in U.S. Dollars and Japanese Yen was approximately 58% and 15%, respectively. These figures were 57% and 15% for the year ended December 31, 2009 and 58% and 13% for the year ended December 31, 2008. However, since all production is concentrated in Italy and the vast majority of our raw materials are sourced in Italy (and to a lesser extent, in France), the Group incurs operating expenses in Euro for its labor costs and procurement needs. Due to the time interval between decisions related to, *inter alia,* contracts with our external workforce and procurement of raw materials, and the shipment and sale of our finished products to other Group companies (and to non-Group wholesale counterparties), the Group is exposed to exchange rate fluctuations which might include depreciation in the non-Euro currency as expressed in Euro, potentially reducing our profit margin or even eliminating our profit (if production costs exceed revenue for those products). The time interval between production decisions (and related expenses in Euro) and receipt of monies for finished products in non-Euro currencies can be as long as 18 months, increasing the Group's risk.

To hedge against this risk, the Company enters into currency forwards or option contracts that define the conversion rate in advance, or establish a preset range of conversion rates at future dates with a maximum expected time horizon of 24 months. In the years ended December 31, 2008, 2009 and 2010, we hedged against exchange rate risks exclusively with currency forward contracts. We enter into these hedging contracts before setting sales prices. Management considers hedging that falls between 50% to

90% of projected sales in foreign currency to be adequate. Upon completion of our order portfolios after the setting of prices, we may supplement existing hedging based on orders actually received and produced. In this way, the Group reduces its business risk to just the sales volume risk, significantly reducing the exchange rate risk.

To illustrate this process, the table below sets forth our expected sales in a variety of currencies as at the year ending December 31, 2010.

	Within 3 months	From 3 to 6 months	From 6 to 9 months	From 9 to 12 months	Above 12 months	Total expected flows
	(in millions of currencies indicated)					
Exchange rate risk						
Expected sales in U.S. Dollars	68.0	57.0	77.0	58.0	40.0	**300.0**
Expected sales in Japanese Yen	1,300.0	1,100.0	1,500.0	1,200.0	900.0	**6,000.0**
Expected sales in British pounds	1.5	1.7	1.5	1.3	0.5	**6.4**
Expected sales in Mexican pesos	35.0	45.0	40.0	50.0	30.0	**200.0**
Expected sales in Swiss francs	1.8	1.5	1.5	1.5	2.5	**8.7**
Expected sales in Australian Dollars	0.4	0.8	0.8	0.7	0.9	**3.4**

As the table above illustrates, the most significant hedging arrangements in terms of notional currency amounts hedged, are aimed at mitigating the risk created by fluctuations in exchange rates between the Euro and the U.S. Dollar, the Japanese Yen, the British pound and the Mexican peso.

With respect to our exposure to the Japanese Yen, the U.S. Dollar and certain other currencies, we attempt to mitigate our exchange risk by incurring costs in the same currency to the extent that we have investment or retail expenses (mostly related to labor, maintenance and refurbishing expenses associated with our DOS and wholesale infrastructure of offices and show rooms) in those currencies. The table below sets forth our debt to banks denominated in currency other than Euro at the equivalent Euro amounts for the periods indicated.

	December 31, 2008		December 31, 2009		December 31, 2010	
	(€ in millions, except percentages)					
Euro	74.4	45.5%	59.8	38.6%	55.1	37.7%
U.S. Dollars	41.7	25.5%	52.1	33.6%	42.3	28.9%
Japanese Yen	40.4	24.7%	34.2	22.1%	35.9	24.6%
Other currencies	7.1	4.3%	8.8	5.7%	13.0	8.9%
Total	**163.6**	**100.0%**	**154.8**	**100.0%**	**146.3**	**100.0%**

As the table above illustrates, the percentage of bank debt denominated in Euro has declined in the three year period as we have expanded our operations, particularly in North America. However, borrowings in Euro still comprise the largest portion of our bank debt. See "Risk Factors—We are exposed to currency related risks."

The following table reflects the overall currency risk at the year ended December 31, 2010. The table shows the effect on our statement of income, based on 2010, for an increase or decrease in the value of the indicated currency against the Euro.

Exchange rate risk sensitivity analysis	+ %		− %	
	Derivative	Non-Derivative	Derivative	Non-Derivative
	(€ in millions)			
U.S. Dollar(1)	—	(0.1)	—	0.1
Japanese Yen(2)	0.1	0.2	(0.2)	(0.2)
Mexican peso(3)	—	—	—	—
South Korean won(1)	0.8	—	(1.2)	—

(1) Figures for U.S. Dollar and South Korean show the effects of a +/− 13.0% change.

(2) Figures for Japanese Yen show the effects of a +/− 14.7% change.

(3) Figures for Mexican peso show the effects of a +/− 14.0% change.

Interest Rate Risk Management

The Group's exposure to market risk for changes in interest rates relates primarily to cash, money market instruments and bank debt at floating interest rates. The Group is exposed to cash flow risk, which is the risk of increasing financial interest expenses as the result of an unfavorable change in interest rates. Cash surpluses are invested in short-term time deposits with relationship banks that use the Euribor or Libor rate for the period as the base interest rate. All interest-bearing debt consists of floating rate, short-term financings. The cost of bank debt is calculated at the market rate (generally Euribor or Libor) for the period, plus a spread that depends on the type of credit line. Bank loan tenures range from a few days to a maximum of one year. The spreads are in line with the best market standards. Sensitivity to interest rate risk is monitored at the Group level, with appropriate consideration to total exposure, through coordinated management of debt and cash, and the relative maturities on such instruments.

As at the date of this Offering Circular, the Group is not party to any derivative instruments hedging against interest rate risks; additionally, the Group has not made use of such instruments in the past three years.

Credit Risk Management

Credit risk consists of our exposure to potential losses arising when commercial or financial counterparties are unable to fulfill their obligations. The Group's commercial risk includes exposure to non-payment from wholesale sales and receivables from licensing activities, which together account for 30% of its revenue. Retail sales, in contrast, are paid by cash and credit card. It is our policy to give preference in commercial relations to clients with whom we have long-term relationships. It is also our policy to require clients requesting extended payment tenures to undergo credit verification procedures. We constantly monitor our receivables balance, and as a result we are able to quickly intervene and reduce the risk of losses. Trade receivables are recorded in the statement of financial position net of estimated write-offs on the basis of the risk of non-performance by the counterparty, which is computed based on information available on the client's solvency and historical data. We further manage credit risk by seeking and obtaining guarantees from wholesale clients, requiring letters of credit or through obtaining commercial credit risk insurance for a specific portfolio of receivables.

With respect to our customers, management believes that the Group's polices have enabled the Group to contain credit risk within acceptable parameters in terms of past due exposures and insolvency risks. In 2009, there was one significant loss due to the bankruptcy of a perfume distributor in Japan, resulting in a €2.3 million recorded loss.

With regards to financial institutions, the Group has a policy of favoring well-established institutions with high credit scores and with whom we have maintained long banking relations. With regards to derivative transactions, the Group utilizes contracts based on international standards.

Management believes that our concentration of credit risk as at December 31, 2010 is connected to the deposit of €72 million in U.S. Dollar equivalent in the Hong Kong branch of Intesa Sanpaolo S.p.A., representing a significant portion of the liquidity of Ferragamo Hong Kong Ltd.

The table below sets forth the Group's credit risk as represented by book value of the financial assets accounts as at December 31, 2008, 2009 and 2010 by maturity.

	As at December 31,					
	2008		2009		2010	
	current	non-current	current	non-current	current	non-current
	(€ in millions)					
Maximum exposure to credit risk						
Other financial assets	—	—	—	—	—	—
Loans and receivables:	—	—	—	—	—	—
Other medium to long-term receivables	2.0	1.5	1.4	1.1	0.3	1.3
Trade receivables	66.2	—	57.3	—	75.4	—
Cash and cash equivalents	78.2	—	77.4	—	132.9	—
Guarantee deposits	—	5.3	—	5.7	—	6.8
Derivatives	2.7	1.3	7.8	—	3.9	—
Total	**149.2**	**8.1**	**144.0**	**6.8**	**212.5**	**8.1**

As the table above illustrates, the majority of the Group's exposure to credit risk comprises risks with current maturities which constituted 94.9%, 95.5% and 96.3%, respectively of the Group's maximum exposure to credit risk as at December 31, 2008, 2009 and 2010.

The table below sets forth the Group's exposure to credit risk by region for the periods indicated.

	As at December 31,					
	2008		2009		2010	
	Book value	%	Book value	%	Book value	%
	(€ in millions, except percentages)					
Credit risk at book value by region						
Italy	11.5	17.3%	10.4	18.1%	10.8	14.3%
Europe (excluding Italy)	12.2	18.5%	5.4	9.4%	6.4	8.5%
North America	6.2	9.4%	6.5	11.4%	7.4	9.8%
Asia-Pacific	32.8	49.6%	30.5	53.1%	43.5	57.7%
Rest of the World	3.4	5.2%	4.6	8.0%	7.3	9.7%
Total	**66.2**	**100.0%**	**57.3**	**100.0%**	**75.4**	**100.0%**

As illustrated above, the changing credit risk profile at book value by region reflects the evolution of our business, and specifically, our expansion in Asia, North America and Latin America (represented by Rest of the World). See "Risk Factors—We operate in many countries around the world and, accordingly, we are exposed to various international business, regulatory and political risks."

With respect to counterparty credit risk related to receivables, the table below sets forth the concentration of sales by client for the periods indicated.

	Year ended December 31,		
	2008	2009	2010
	(% of total revenue)		
% of receivables held by:			
Top client	2.1%	2.1%	1.9%
Top 3 clients	4.6%	4.7%	4.7%
Top 10 clients	10.7%	8.7%	11.0%

The table above illustrates the trend that while our wholesale sales are expanding, the relative weight of each client is reduced, especially as we develop our retail sales and expand our DOS network.

The table below sets forth the breakdown of accounts receivable by type and by status for the periods indicated.

Credit risk at book value by region	Receivables not yet due and not written off				Receivables past due but not written off											
	Renegotiated		Not renegotiated		<30 days		30–60 days		60–90 days		90–120 days		>120 days		Total	
2008	—	—	44.4	67.0%	13.0	19.7%	5.1	0.8%	1.3	2.0%	1.0	1.5%	1.3	2.0%	**66.2**	**100.0%**
2009	—	—	46.1	80.3%	7.2	12.6%	1.0	1.8%	0.7	1.3%	0.6	1.0%	1.7	3.0%	**57.3**	**100.0%**
2010	—	—	59.2	78.5%	11.2	14.9%	3.2	4.2%	0.4	0.5%	0.6	0.8%	0.8	1.1%	**75.4**	**100.0%**

As the table above illustrates, as at December 31, 2008, 2009 and 2010, we did not have "receivables not yet due and not yet written off" that were renegotiated. With respect to "receivables past due but not yet written off," the majority were past due for fewer than 30 days (67.0%, 80.3% and 78.5%, respectively).

Liquidity Risk Management

Liquidity risk arises when it is difficult to obtain financial resources required to carry out normal business activities at acceptable conditions as expressed by the difficulty in: (i) raising funds at current market price conditions ("funding liquidity risk") or (ii) liquidating assets on the market to raise the financial resources needed ("asset liquidity risk"). The factors that affect the Group's liquidity are: (i) cash generated by or used in our operating and investing activities, (ii) debt maturity dates and the ability to renew debt and (iii) maturity and liquidity of financial instruments of cash surpluses.

We monitor the Group's liquidity needs or surpluses on a daily basis to ensure that the Group can promptly raise financial resources effectively and invest its cash appropriately. Our main strategy to mitigate liquidity risk is through the use of several short and medium-term credit facilities. As at

December 31, 2010, the Group had in force a Stand-by Club Deal, a revolving, committed, multi-currency and multi-borrower line of credit with an original term of five years for €100 million with multiple bank counterparties, in addition to committed lines totalling €195 million, including short- and medium-term lines for the Company and some of its subsidiaries totaling €110.9 million. As at the same date, the Group had unused committed lines of credit for €172.5 million and uncommitted lines of credit totaling €87.2 million against total debt of approximately €146.2 million and a net financial indebtedness of €18.2 million. During the course of 2010, agreements for new committed credit lines with various counterparties were renewed or entered into, for a total amount slightly higher than the amount expiring and with a concurrent extension of the terms of the lines. As a result, committed lines have a maximum remaining term of 25 months and a remaining weighted average term of 12 months. As at the date of this Offering Circular, no amounts have been outstanding for more than 12 months.

The Group's policy is to enter and continuously maintain an amount of committed lines of credit, on established financial terms with a variety of bank counterparties, considered appropriate for the needs of the individual companies. Such credit resources can be drawn down at any moment to provide the necessary liquidity to satisfy the Group's financial commitments and maintain operational flexibility. In addition, cash surpluses are invested with relationship banks in short-term time deposits that range from one to two months in length and are based on Euribor or Libor. The investment of cash surpluses is undertaken with a view to retaining the flexibility to call upon such cash reserves on short notice. Furthermore, the use of money market instruments reduces the risk of losses associated with more speculative transactions.

In addition, the Group's Treasury department aims to reduce liquidity risk by centralizing the management of all of the Group's credit facilities and the Group's financial planning, including monitoring the financial positions of Group subsidiaries and monitoring the Group's future liquidity conditions, based on the Group's future business plans. Management believes that the available funds and lines of credit, supplemented by funds expected to be generated by current operations will enable the Group to repay the borrowings under our finance agreements at their natural expiration and to satisfy the needs arising from investments and the management of operating working capital.

The table below reflects the breakdown of financial liabilities that appear in the statement of financial position as at December 31, 2010.

	As at December 31, 2010				
	<3 months	3–12 months	1–5 years	>5 years	Total
			(€ in millions)		
Breakdown of maturities					
Trade payables	102.7	—	—	—	**102.7**
Bank borrowings	141.9	4.7	—	—	**146.6**
Loans from shareholders	—	0.9	—	—	**0.9**
Other borrowings(1)	—	—		—	**—**
Loans from non-controlling interests shareholders	3.7	—	—	—	**3.7**
Derivatives (non-hedging component)	0.5	0.2	—	—	**0.6**
Derivatives (hedging component)	2.8	3.4	0.1		**6.6**
Total	**251.5**	**9.3**	**0.1**	**—**	**260.9**

(1) Relates to financial leases for office equipment of Ferragamo Fashion Trading (Shanghai) Ltd.

As the table above illustrates, maturities are concentrated in the under three months period, with zero or insignificant amounts for maturities longer than 12 months.

BUSINESS

Overview

We design, produce, market and distribute footwear, leather goods, ready to wear apparel ("**RTW**"), silk products and other accessories as well as fragrances for both women and men. We also market eyewear and watches manufactured and distributed by licensed third parties. Our product lines are distinguished by their exclusivity and distinctiveness, combining a creative and innovative style with the quality and craftsmanship that characterize goods bearing the *Made in Italy* label. Since Salvatore Ferragamo founded our company in 1927, we have developed our brands and our reputation as a leading company in the luxury sector.

Our Group operates in 26 countries worldwide through a network of 312 directly operated shops ("**DOS**") as at December 31, 2010 (collectively, the "**Retail Channel**"). In addition, we distribute our products in 58 countries through 266 third-party, single-branded points of sale ("**POS**") as at December 31, 2010, as well as through multi-branded stores (collectively, the "**Wholesale Channel**"). Taking into account the Retail Channel and the Wholesale Channel, we are present in 92 countries worldwide.

In addition to our classically-inspired product lines, we derive additional revenue streams from the management of certain real estate assets owned by Group companies and from providing consulting services to Zefer S.p.A., a joint venture formed by our Group and Ermenegildo Zegna, which develops and manufactures leather footwear and accessories under the Zegna brand.

The following table shows our revenue for the periods indicated by product category.

	Year ended December 31,						Three months ended March 31,			
	2008	% of total revenue	2009	% of total revenue	2010	% of total revenue	2010	% of total revenue	2011	% of total revenue
	(€ in millions, except percentages)									
Revenue by Product Category										
Footwear	252.4	36.5%	240.5	38.8%	319.0	40.8%	64.2	38.9%	87.9	41.8%
Leather goods	222.7	32.2%	195.8	31.6%	243.7	31.2%	52.1	31.6%	64.4	30.6%
Apparel	83.5	12.1%	76.6	12.4%	90.1	11.5%	19.7	11.9%	23.3	11.1%
Accessories	68.1	9.9%	57.5	9.3%	67.4	8.6%	14.2	8.6%	16.5	7.9%
Fragrances	46.0	6.6%	35.1	5.7%	46.4	5.9%	10.9	6.6%	14.8	7.0%
Licenses and services	11.2	1.6%	6.5	1.1%	6.9	0.9%	1.7	1.0%	1.7	0.8%
Rental of investment properties	6.9	1.0%	7.6	1.2%	8.1	1.0%	2.1	1.3%	1.8	0.9%
Total	**690.8**	**100.0%**	**619.6**	**100.0%**	**781.6**	**100.0%**	**164.9**	**100.0%**	**210.4**	**100.0%**

The following table shows our revenue for the periods indicated by geographic area.

	Year ended December 31,						Three months ended March 31,			
	2008	% of total revenue	2009	% of total revenue	2010	% of total revenue	2010	% of total revenue	2011	% of total revenue
	(€ in millions, except percentages)									
Revenue by Geographic Area										
Europe	178.5	25.8%	150.9	24.3%	182.3	23.3%	41.8	25.4%	54.6	26.0%
North America	159.6	23.1%	136.1	22.0%	174.0	22.3%	35.7	21.6%	44.9	21.3%
Japan	124.4	18.0%	111.0	17.9%	126.8	16.2%	27.4	16.6%	27.6	13.1%
Asia-Pacific	202.0	29.2%	193.9	31.3%	267.9	34.3%	54.4	33.0%	75.8	36.0%
Central and South America	26.3	3.8%	27.7	4.5%	30.6	3.9%	5.6	3.4%	7.5	3.6%
Total	**690.8**	**100.0%**	**619.6**	**100.0%**	**781.6**	**100.0%**	**164.9**	**100.0%**	**210.4**	**100.0%**

The following table shows the revenue we generated in our primary markets for the year ended December 31, 2010.

	Year ended December 31, 2010	% of total revenue
	(€ in millions, except percentages)	
Revenue generated in selected territories		
United States	163.7	20.9%
Japan	126.2	16.2%
China	77.6	9.9%
Korea	72.6	9.3%
Italy	69.0	8.8%
Hong Kong	55.0	7.0%
France	26.4	3.4%
Mexico	21.5	2.8%
Taiwan	20.9	2.7%
Total	**632.9**	**81.0%**

The following table shows our revenue for the periods indicated by distribution channel and source of revenue.

	Year ended December 31,						Three months ended March 31,			
	2008	% of total revenue	2009	% of total revenue	2010	% of total revenue	2010	% of total revenue	2011	% of total revenue
	(€ in millions, except percentages)									
Distribution channel/ revenue source										
Wholesale Channel	237.0	34.3%	185.0	29.9%	223.7	28.6%	51.2	31.0%	69.8	33.2%
Retail Channel	435.7	63.1%	420.4	67.8%	543.0	69.5%	109.9	66.6%	137.1	65.2%
Licenses and services	11.2	1.6%	6.6	1.1%	6.8	0.9%	1.7	1.0%	1.7	0.8%
Rental of investment properties	6.9	1.0%	7.6	1.2%	8.1	1.0%	2.1	1.4%	1.8	0.8%
Total	**690.8**	**100.0%**	**619.6**	**100.0%**	**781.6**	**100.0%**	**164.9**	**100.0%**	**210.4**	**100.0%**

Key Competitive Strengths

We maintain and develop our brand and products by following the traditions of the Ferragamo name, promoting our brand through a robust advertising strategy, adhering to *Made in Italy* production standards and expanding our distribution network. We believe that our key competitive strengths are:

- **Brand heritage, synonymous with glamour, elegance, high quality craftsmanship, creativity and innovation as demonstrated by:**
  - our founder, Salvatore Ferragamo, an icon of high-end footwear;
  - our long history—80 years of classic luxury products, *Made in Italy* since our founding;
  - our innovative product line, which is highly customized and made from the finest materials;
  - our extensive archive of prior models, which we can draw upon for inspiration for new collections and models; and
  - our loyal base of famous customers in the film, theater and entertainment industries.
- **Global brand awareness supported by:**
  - excellent balance between our women's and men's collections (on average our Group derives 61% of our revenue from our women's collection and 39% from our men's collection);
  - a worldwide product distribution network, present in 92 countries, 59 of which are personalized POS in prestigious locations of the luxury sector;
  - a significant and consolidated presence in the European, American and Asian markets;

- significant media coverage (in 2010, over 2,600 pages on our Group were published in major specialized magazines worldwide); and
- monthly visits to our website from over 190 countries.

- **Superior quality throughout our product range, supported by:**
  - craftsmanship deserving of the *Made in Italy* standard carried out by many carefully selected workshops;
  - meticulous attention to quality control, from the selection of materials to the finished product;
  - expanded merchandise categories (with particular attention to developing categories with a high potential for growth and attractive profit margins) while still maintaining brand integrity and identity over time;
  - RTW products and accessories (especially crafted from silk) made with sophisticated and valuable materials that compliment our offering in the footwear and leather goods categories; and
  - carefully selected exclusive licenses granted to highly qualified and prestigious companies to produce additional products bearing our brand name.
- **Broad, diversified distribution network across various channels, including:**
  - 312 DOS, in addition to 266 third-party operated POS; we also partner with department stores on six continents through our multi-brand stores;
  - a consolidated presence of single-brand shops in prestigious locations, including: Via de' Tornabuoni in Florence, Via Montenapoleone in Milan, Old Bond Street in London, Avenue Montaigne and Rue du Faubourg St. Honoré in Paris, Ginza District in Tokyo, Canton Road in Hong Kong, Central Plaza in Shanghai, Fifth Avenue in New York, Rodeo Drive in Beverly Hills and Avenida Masaryk in Mexico City;
  - a broad digital presence with a web site available in seven languages (Italian, French, Spanish, English, Chinese, Korean and Japanese) and e-commerce functionalities directly managed by us for several European countries and the United States; and
  - a significant presence in the travel retail segment with 147 POS, 114 of which are in major airports around the world.
- **Balanced geographic exposure with a long-standing presence in both developed and emerging markets, as demonstrated by:**
  - approximately half of our yearly sales recorded in Europe and the Americas, with the other half recorded in Asia-Pacific and Japan;
  - a significant and consolidated presence in high-growth markets, especially in Asia-Pacific and Latin America; we were one of the first European luxury groups to enter the Greater China market by opening our first store in Hong Kong in 1986; as at the date hereof, we have over 50 POS in 31 cities throughout Greater China, 40% of which are DOS; in Latin America, we have 24 DOS in Mexico and one DOS in each of Argentina, Chile and St. Thomas (U.S. Virgin Islands) as well as 30 other POS throughout the region; and
  - a capacity to plan and open new DOS in strategic markets of interest (we opened 71 new DOS in the 2008-2010 period).

Our Strategy

Our strategy is to strengthen our competitive position among the leaders of the worldwide luxury market by leveraging our creativity, glamour, fine Italian craftsmanship and our heritage in the footwear and accessories categories to create value for shareholders. To achieve this strategy, we have adopted the following objectives in our 2011-2013 strategic plan:

Consolidate and maintain our position in the luxury market

We aim to consolidate and maintain our position in the global luxury sector, emphasizing the *Made in Italy* component of our product offerings which, in our opinion, distinguishes the Ferragamo brand from its competition and can justify higher margins. We believe the following steps will contribute to this goal:

- investing in traditional and digital communication and, to introduce our brand to a younger target audience, utilizing social media and digital publishing;
- expanding fragrance as an effective tool for communicating brand values and supporting our visibility with a broader consumer base; and
- formalizing and emphasizing our essential brand identity and values by disseminating our new *Brand Book* to illustrate the guidelines for implementing our marketing and communication plans.

Expand our distribution network in emerging markets and optimize our retail and wholesale sales performance worldwide

We plan to leverage our strategically balanced distribution network by channel and geographic area to take advantage of growth opportunities in emerging markets. We can improve the effectiveness of each distribution channel through:

- further expanding our presence in emerging markets, especially in Asia-Pacific and Latin America. We see major growth opportunities in Greater China, and particularly in mainland China, where we plan continued expansion of POS, even in tier 2 and tier 3 cities, as well as progressive acquisition of single-brand shops operated by third parties;
- improving our Retail Channel performance by effectively managing the product categories within shops and creating larger POS, as well as refurbishing their image, especially in established luxury markets. These initiatives will also be supported by a targeted training program for our sales force and further development of our customer relationship management system;
- continuous management of our Wholesale Channel, consolidating its presence in the most prestigious department stores in established luxury markets and utilizing the Wholesale Channel to increase market share in select emerging markets;
- focusing on the travel retail segment where we intend to maintain a preeminent position in order to cater to the typical clientele of the luxury sector, mostly comprised of travelers from key emerging markets; and
- further developing our e-commerce capabilities with scheduled launches in the primary Asia-Pacific markets, Japan and Latin America—allowing us to obtain greater profitability than through other distribution methods, reach younger consumers and better understand their preferences.

Optimize our product offerings and the composition of our collections

We believe it is possible to increase our sales volume and operating margin by managing our product offerings and the composition of our collections, in particular by:

- integrating our collections in a way that creates new purchase opportunities and satisfies the requirements of specific geographic markets, but also optimizes the pricing structure and the profitability of our collections; we will also seek to achieve this goal by introducing a limited and carefully selected number of products that should provide an entry point to the brand for a greater number of customers;
- increasing focus on product categories that constitute our core offering (women's and men's footwear and leather goods) and that have the highest margins and projected rates of growth;
- increasing our cross-selling opportunities through greater coherence between our collections guided by a single design direction; and
- increasing product continuity and their in our stores via a stock replenishment program aimed at automatically managing the procurement and distribution of our products.

Continue to modernize our supply chain and organizational structure to allow us to reach our operating performance goals

We will continue to leverage the flexibility of our manufacturing system, based on the integration with our external workshops in Italy with which we have consolidated and long-standing relationships. Specifically, we will focus on:

- improving our production cost structures by more efficient production planning to maximize our production capacity; and
- instituting stricter process coordination and oversight in order to streamline logistics along the entire supply chain to reduce our time to market.

Additionally, we will overhaul and further integrate the distribution systems of our Retail Channel over the next three years, particularly in major Asian markets (such as Greater China, Korea and Japan). We also intend to continue to invest in our personnel—already a major business asset—through a series of training initiatives.

History of Our Group

Our founder

Salvatore Ferragamo was born in the small town of Bonito, Italy in 1898. From an early age, he had a passion for shoes, opening his first store in Bonito at age thirteen, following years of apprenticeship. A year later, Salvatore joined a brother in the United States who worked in a shoe factory in Boston. In the early 1920s, Ferragamo and another brother moved to the west coast, and opened a shoe repair store in Santa Barbara, California. It was in nearby Hollywood where Ferragamo would soon earn fame as a designer of cowboy boots and Roman and Egyptian-style sandals for use in the motion picture industry. This acclaim led him to open the Hollywood Boot Shop in 1923 and leverage his talent in the film industry as a "shoemaker to the stars." Ever the craftsman, Ferragamo sought to combine elegance and aesthetic appeal with comfort, which led him to study anatomy at the University of Southern California.

Equipped with this unique trans-Atlantic experience, Ferragamo returned to his native Italy in 1927. He launched his workshop and store in Florence, a city renowned for its artisans. He soon gained an international clientele including many of the biggest stars of the day, who came to Florence to have Salvatore Ferragamo create shoes for them. As the business expanded, Ferragamo shops were opened in some of the world's most prestigious locations, including on London's Old Bond Street, Rome's via Condotti and New York's Park Avenue. Salvatore Ferragamo died in 1960, after achieving worldwide fame and success, having invented the first platform shoes and stiletto heels. His creativity produced more than 10,000 different models of women's shoes.

The Ferragamo family continues the tradition and continues to expand the business

Following Salvatore Ferragamo's death, his widow Wanda Miletti Ferragamo and their six children continued to build on Salvatore's legacy. Several of his children joined the design workforce, spearheading the company's entry into the markets for ladies' handbags and purses, silk products and other accessories and menswear lines—precursors to Ferragamo's total look brand experience of today. Under their leadership, the Group built a broad retail network with shops in Europe, Asia and the United States. Though the product lines expanded, the brand stayed true to the company's early commitment to quality, innovation and craftsmanship, proudly keeping all production in Italy. For their efforts, both Wanda Miletti Ferragamo and her daughter Fiamma Ferragamo won numerous awards from the 1960s through the 1990s for their designs and contribution to the industry. Mr. Ferruccio Ferragamo, our founder's son and our current chairman, has also been recognized for his important contributions, including as our CEO from 1984 to 2006.

In 2006, at a time of strong growth and international expansion, the Group appointed a number of new key management personnel to help achieve our business objectives. Mr. Michele Norsa, formerly CEO of Valentino S.p.A, was the first external manager to ever be appointed as Chief Executive of the Group, while Ferruccio Ferragamo and Wanda Ferragamo respectively took on the positions of Chairman and Honorary Chairwoman. Following the addition of Mr. Norsa, new key management were added in the operations, marketing and design departments and, finally, Mr. Ernesto Greco was named Chief Financial Officer in 2007 (formerly CFO of the Bulgari Group and managing director of the Natuzzi Group).

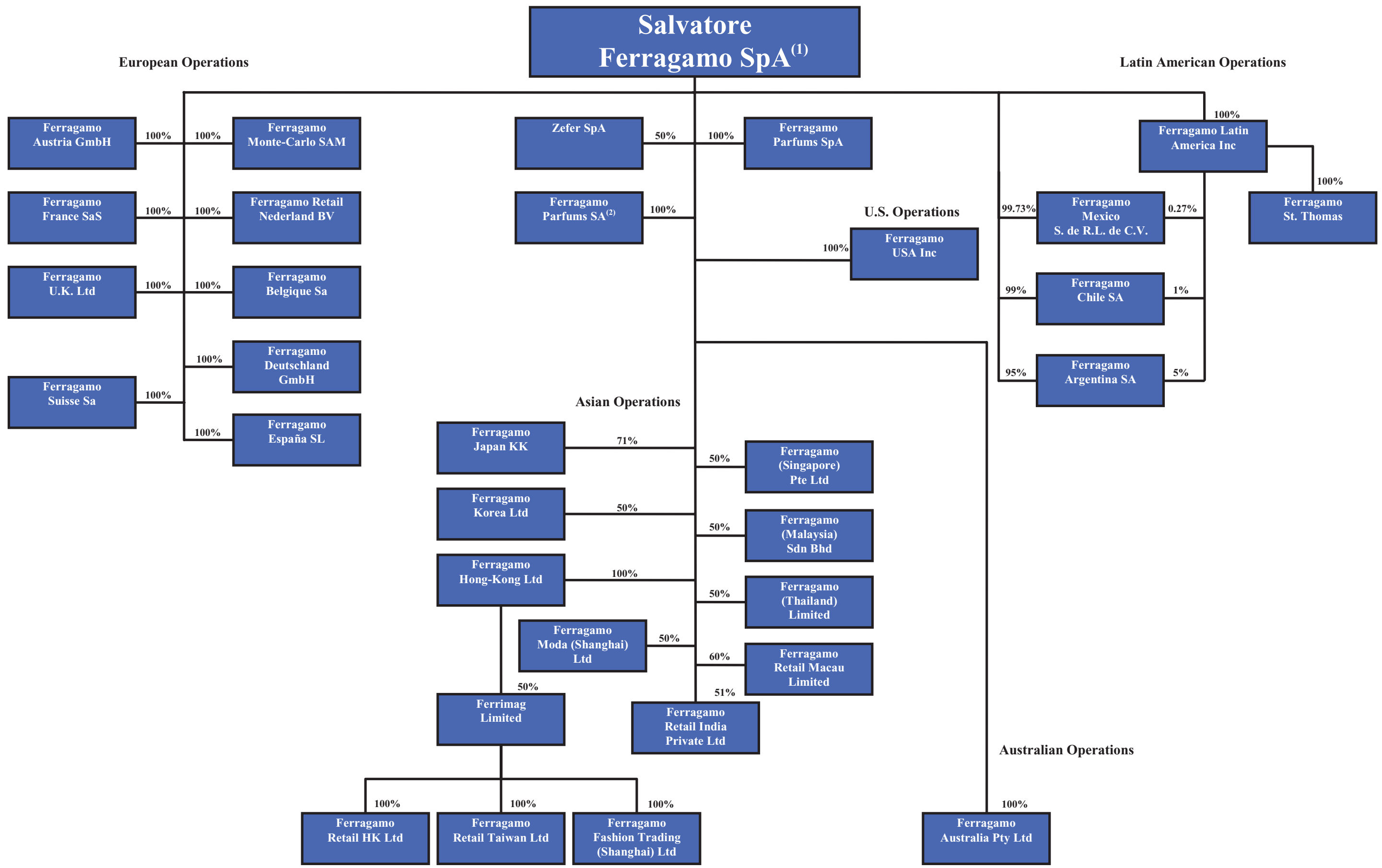
Creating new partnerships and branching out further into the worldwide marketplace

In the last two decades, our Group has diversified into new product lines via numerous partnerships with leading companies in their respective fields. Notable among the many partnerships of the 1990s and 2000s are: a joint venture with Bulgari in 1997 to develop the fragrance line; a joint venture with Ermenegildo Zegna in 2002 to develop shoes and leather goods under the Zegna brand; a licensing agreement with Luxottica in 1998 to develop luxury eyewear; a licensing agreement in 2007 with Timex Watches B.V. to create, produce and distribute luxury timepieces and a licensing agreement in 2008 with Trident International Holding FZCO related to the design and sale of "Ferragamo Penthouses" in a luxury apartment building in Dubai.

Our international expansion has continued unabated, and deepened into new emerging markets, particularly throughout the Asia-Pacific region (with an emphasis on Greater China), the Middle East (with an emphasis on Turkey and the Persian Gulf) and in Latin America, particularly in Mexico. In the past year, we have concluded an agreement with a strategic partner aimed at continuing our penetration into the Chinese market. See "—Recent Developments."

Organization of Our Group

The chart below shows the organizational structure of our Group.

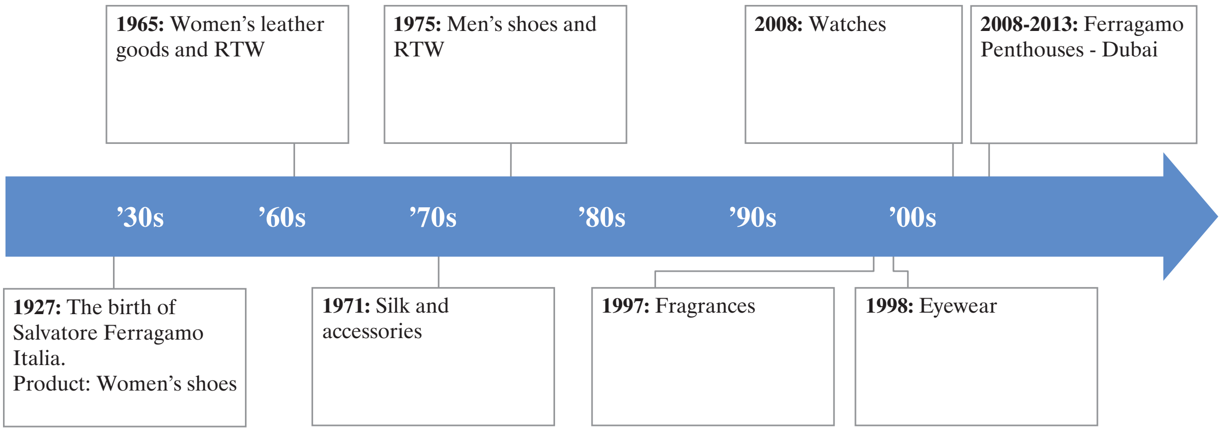


(1) Ferragamo International B.V. ("**FIBV**"), one of the Group's Dutch affiliates, was merged into Salvatore Ferragamo S.p.A. on November 8, 2010. As a result of the merger, several Group companies that were previously held by FIBV became direct subsidiaries of the Company (now either wholly owned or majority owned, as shown in the chart above): Ferragamo UK Limited; Ferragamo Hong Kong Limited; Ferragamo USA Inc.; Ferragamo Monte Carlo SAM; Ferragamo Latin America Inc.; Ferragamo Australia PTY Ltd; Ferragamo Retail Nederland BV; Ferragamo France S.A.S.; Ferragamo Deutschland GmbH; Ferragamo Belgique S.A.; Ferragamo Espana SL; Ferragamo Parfums SA; Ferragamo Chile SA; Ferragamo Argentina SA; Ferragamo Japan K.K.; Ferragamo Retail Macau Limited; Ferragamo Suisse SA; Ferragamo Retail India Private Limited; Ferragamo Korea Limited; Ferragamo (Thailand) Limited; Ferragamo (Singapore) Pte Ltd; Ferragamo (Malaysia) Sdn Bhd; Ferragamo Moda (Shanghai) Co Ltd; and Ferragamo Mexico S. de R.L. de C.V.

(2) Company no longer in operation and in process of winding up.

Our Business

We design, produce, market and distribute footwear, leather goods, RTW, silk products and other accessories as well as fragrances for both women and men (sold both under the Ferragamo and Emanuel Ungaro brands). We also market eyewear and watches manufactured by licensed third parties. High-end women's footwear has historically been our most distinctive product. However, as early as the 1960s we began to broaden our offering and now market a complete and consolidated line of luxury products that are true to the values, tradition and craftsmanship that characterize the Ferragamo brand. The timeline below shows the development of our product categories.



The creative inspiration for each of our product categories is developed in-house by a team of designers, material researchers and highly specialized pattern makers. Manufacturing is carried out at carefully selected outside workshops, most of which have successfully worked with us for years. Each workshop is subject to stringent quality control and, for most product lines, we supply the workshops with the raw materials and components necessary to manufacture our products.

Currently we produce eight collections per year, organized in two pre-collections and two collections (Fall/Winter and Spring/Summer) plus four collections dedicated to catwalk shows for footwear, RTW and silk products and other accessories. Eyewear, watches and fragrances follow the manufacturing schedules typical for their respective sectors.

Footwear

For the years ended December 31, 2008, 2009 and 2010 and for the three months ended March 31, 2011, footwear represented 36.5%, 38.7%, 40.8% and 41.8%, respectively, of our revenue. Footwear is the historical product of our brand and its distinguishing features continue to be original design, perfect fit and the use of high quality materials. Our women's footwear collection is extensive and covers many occasions (from evening to leisure). Our men's footwear collection features sophisticated craftsmanship ranging from mounted, turnshoe, stitched construction, all the way to *tramezza* models, which are the most artisanal. Each collection is comprised of several hundred models. For instance, our women's footwear macro-collection, which includes the Pre-Spring and Spring/Summer collections, included approximately 300 models in 2010, featuring various material and color choices. Each year we market many new models as well as continuing to sell the most iconic and successful models that we have been selling for years, such as the "Vara," "Carla," and "Audrey" models in women's footwear.

In 2010, we expanded our footwear offerings to take advantage of new business opportunities and to strengthen our leading position in this sector. In particular, starting with Fall/Winter 2010, we debuted two new product lines with casual features. The women's line, called "MYFerragamo," consists of lightweight, low heel, very colorful models for a young and active female consumer and for "daytime/walking shoe" wear. MYFerragamo shoes are designed to undergo changes in colors and materials across collections. The men's line, "Ferragamo World," is characterized by innovative and comfortable soles made with a renewable material. We donate a percentage of revenue generated by our Ferragamo World collection to the Acumen Foundation, which finances micro-maternity hospitals in India. Starting with the 2011 Spring/Summer collection, we introduced certain high luxury footwear lines ("made to order" women's evening shoes and special *tramezza* footwear) to satisfy the requests of our most demanding and sophisticated consumers.

The special characteristics that distinguish all Ferragamo footwear are briefly explained below.

Fit & Size

Fit determines the width and volume of the foot, whereas size measures its length. We are one of the few manufacturers that offer models in various fits and sizes, in order to best adapt them to the specific characteristics of each foot. Women's shoes may have four different widths (2A, B, C and D) for each whole and half size. Men's shoes have three (D, 2E and 3E) also for each whole and half size. For special products (including the Ferragamo World line and rubber boots) we offer different width variations to our customers. Each model of Salvatore Ferragamo shoes is available in numerous sizes, making possible an almost tailored shoe for every foot that can satisfy requests from customers in the various geographic markets in which we operate. The ability to offer a personalized product is also an important element in inspiring customer loyalty.

Structural elements of a shoe

Plantar arch

Salvatore Ferragamo concentrated his research on the plantar arch—the part of the foot that bears the body's weight—in order to develop shoes with the best support. As a result of this research, we have been able to introduce key innovations in the footwear sector that are now in common use.

Heel

Through research, we seek to design shoes that achieve an optimal mix of stability and comfort. In recent years, demonstrating our continued product research and technical capabilities, we have designed two new types of heel for women's footwear: the reinforced stiletto and the anti-shock heel (a registered patent). These two innovative technical solutions respectively meet the need of giving greater resistance to slender heels and absorbing shocks in formal and non-sporty shoes, with leather heels.

Materials

We only use top quality leathers carefully treated by the best tanneries. The flexibility and robustness of the materials are relevant to the special characteristics of our manufacturing process and allow us to handle the materials with ease and efficiency throughout the manufacturing process. We create footwear with traditional leathers such as kid and calf as well as all manner of luxury and exotic leathers. Furthermore, we have integrated experimental materials such as paper, raffia, cloth, cellophane, cork, wood and metal in certain models.

Craftsmanship in the manufacturing process

Our manufacturing process is strictly artisanal and involves many hours of handwork. The following characteristics distinguish our brand for quality and comfort:

- the use of components (toe puffs, heel pads, etc.) made of natural materials, glued with a natural paste, allowing the "vamp" (the upper portion of the shoe) to conform perfectly to the volumes of the "last" (the form around which the shoe is molded);
- curing the last for several days, in order to ensure stabilization of the shoes' components; and
- hand assembly, with separate stretching of lining and vamp.

Our *tramezza* menswear shoes exemplify the best expression of our craftsmanship and quality, featuring a manufacturing process of over 260 steps combined with unparalleled quality of materials which give our *tramezza* shoes unique levels of comfort and long-lasting wear.

Leather Goods

For the years ended December 31, 2008, 2009 and 2010 and for the three months ended March 31, 2011, leather products represented 32.2%, 31.6%, 31.2% and 30.6%, respectively, of our revenue. The leather goods sector has recorded strong growth in recent years. See "Industry Overview—Principal Markets and Competition." "Leather goods" include bags, luggage, belts, wallets and other small leather goods both for women and men. Products in the women's line are characterized by exclusive handmade details and special crafting techniques such as perforation, embroidery, patchwork and weaving. Other distinctive elements of the production of leather goods include the use of highly recognizable metal accessories (e.g., buckles, fastenings and ornamentation), together with the use of unusual materials in addition to leather (e.g., metal, wood and fabrics). In particular, our "*Gancino*" (Italian for "little hook"), originally created as a fastening to be used on handbags, has become a distinctive style element of our products. See "—Intellectual Property—Trademarks." We also offer "made to order" services especially for our special materials products.

We offer extensive leather goods collections for women and men that are suitable for various uses and lifestyle occasions. Although the use of high quality, fine leathers is one of the Ferragamo Group's distinctive characteristics, the collections also contain certain product lines, developed in personalized fabrics, that are particularly recognizable (the "Fiera" line, with foulard inspired prints, the "Ganciologo" and "Modern" lines, with the stylized logo, etc.).

Every women's and men's collection features:

- seasonal groups inspired by a specific theme or motif, consisting of completely new models; and
- classic, well-established models continued from previous collections with colors modified from season to season.

RTW

For the years ended December 31, 2008, 2009 and 2010 and for the three months ended March 31, 2011, RTW products represented, 12.1%, 12.4%, 11.5% and 11.1%, respectively, of our revenue. We present a "total look" collection for women and men which ranges from knits to leather and fabric garments with the purpose of communicating a brand image consistent with the related accessories that we market, offering customers a complete brand experience.

Our women's RTW collections emphasize knits, formalwear and outerwear (including husky jackets, ponchos and leather garments). Such RTW collections feature reversible garments, the use of silk foulard prints and leather appliqués, often treated in a particular way and used in conjunction with other textiles. Our menswear RTW collections emphasize jackets, knitwear, informal shirts (for which exclusive fabrics are selected), outerwear and leather garments. Menswear has contributed significantly to increasing our percentage of male customers. In keeping with our positioning at the forefront of the market, we have debuted menswear collections at fashion shows in Milan since the 2007 Fall/Winter season.

Accessories

For the years ended December 31, 2008, 2009 and 2010 and for the three months ended March 31, 2011, the products in our accessories collection represented 9.9%, 9.3%, 8.6% and 7.9%, respectively, of our revenue. Accessories constitute one of the product types most identified with our brand. See "Selected Consolidated Financial Data."

Various types of products comprise this category:

- silk accessories (neckties, foulards, mufflers, etc.);
- mufflers, shawls, lap blankets, made of wool or other types of fabrics;
- umbrellas, gloves and hats;
- pillows and terry cloth towels;
- bijoux; and
- eyewear and watches.

Silk accessories (neckties and foulards) play a particularly important role in the accessory category, both in terms of image and the sales they generate. Characterized by highly recognizable designs, they are lavishly decorated with floral, animal and historic themes, patterns and fanciful miniatures. Our silk and accessory manufacturing uses high quality materials and is carried out entirely in Italy. Neckties are other products that symbolize our brand and they are offered in a wide range of patterns and models. Neckties with our brand's traditional miniaturized designs printed on twill represent approximately 75% of each collection, whereas the rest of the collection features jacquard fabrics, with themes from the RTW collection. The accessories collection completes our offering of products (our "total look") and constitutes a strong element of brand communication and identification with our customers.

Fragrances

As at December 31, 2008, 2009 and 2010 and for the three months ended March 31, 2011, the sale of fragrances represented 6.6%, 5.7%, 5.9% and 7.0%, respectively, of our revenue. We operate in the fragrances sector through Ferragamo Parfums, incorporated in 1997 as a joint venture with Bulgari and controlled by us since 2001. We believe that Ferragamo fragrances constitute a strong element of brand communication and provides the opportunity to attract new customers. In line with our strategy, all of our fragrances and bath products are *Made in Italy*. Ferragamo Parfums also develops and distributes fragrances under the Emanuel Ungaro brand pursuant to a license agreement set to expire 2016. See "—Intellectual Property—Licenses." We began a number of fragrance initiatives in 2010, including the launch of new products and the strengthening of our distribution structure. We currently market eight Ferragamo lines and four lines under the Ungaro brand.

Our subsidiary Ferragamo Parfums manages and oversees all stages of production, development and marketing of our fragrances. The manufacturing process (conditioning and logistics management) is entirely outsourced to ICR S.p.A., a specialized operator in this sector. We sell our fragrances through a network of agents in Italy and through qualified distributors in other countries. As at the date of this Offering Circular, we maintain approximately 70 active distributors worldwide placing our fragrances in approximately 15,000 points of sale, including major airports, airlines and exclusive hotels. The major markets for our fragrance and bath products are China, Japan, North America, Russia and Italy. As is the custom in the fragrances sector, we introduce new products via a soft launch every year, and every two years via a launch for new products requiring significant investments. We support our fragrances business with a strong communications policy including, *inter alia,* advertising campaigns on television and at events and promotional activities.

Licenses and services

As at December 31, 2008, 2009 and 2010 and for the three months ended March 31, 2011, licenses and services represented 1.6%, 1.1%, 0.9% and 0.8%, respectively, of our revenue. Revenue generated in this category includes fees received for licensed products (eyewear and watches), fees from the license granted to Trident International Holdings FZCO to market Ferragamo Penthouses as well as management fees for miscellaneous services, such as from Zefer S.p.A. See "—Intellectual Property—Licenses."

Our eyewear line includes a complete range of sunglasses and prescription glasses for women and men; two collections and two updates are launched every year. Our eyewear has been manufactured pursuant to a license agreement with Luxottica that will expire on December 31, 2011, after which Marchon Europe B.V. will begin producing our eyewear. Currently, we oversee the design activity while Luxottica is responsible for manufacturing and distribution. Eyewear products are distributed though selected distribution channels, including through our own commercial networks and through specialized optician chains.

Our watches include women's and men's models made of high quality materials including gold, steel and, at times, diamonds for women and titanium and ceramics for men. Our watch collection is created pursuant to a license granted to Timex Group BV and the collection debuted at the Basel Fair in 2008. Our timepieces are available in automatic and quartz models, and all are made in Switzerland. Watchbands feature symbols and motifs associated with our brand and are made of grosgrain and prized leathers. The top of the line is represented by the *tourbillion* model, a limited edition watch. We distribute watches via our own single-brand shops and through jewelry retailers, duty free shops and major department stores.

Rental of investment properties

As at December 31, 2008, 2009 and 2010 and for the three months ended March 31, 2011, revenue from Rental of investment properties generated 1.0%, 1.2%, 1.0% and 1.3%, respectively, of our revenue. Our primary revenue generating properties are located in the U.S. (on Fifth Avenue in New York City and in Palm Beach, Florida) We generate income through both the leasing and subleasing of such real estate to third parties.

Production and Operations

We strive to succeed in our production and operations by carefully managing our value chain and applying a common organizational model to all Group activities in our various product categories. Our goal is to offer customers high quality products that reflect our tradition of fine craftsmanship with exclusive design content and with a style that preserves our strong brand identity. We adopt this approach when selecting raw materials, when designing and manufacturing our products and when planning and designing our shops and showrooms.

Our Group's operations are divided into two levels:

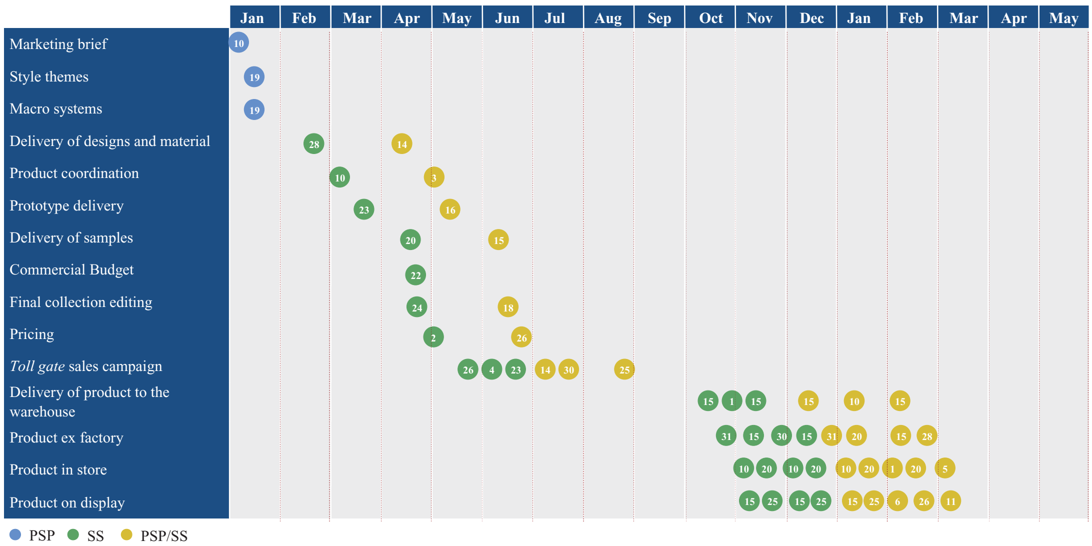
(i) the "Corporate Headquarters," based in Florence, is in charge of defining business development strategies, brand positioning, collection development, manufacturing, logistics, marketing, advertising and public relations activities. Our corporate headquarters also provides services to the Group such as administration, human resources, information systems and legal; and

(ii) the "Regional Offices," based in Florence, New York, Tokyo, Hong Kong and Miami, are in charge of the business operations in our various geographic areas of activity and our Ferragamo Parfums subsidiary is in charge of all operations related to fragrances worldwide.

Our primary activities consist of the creation, manufacture and marketing of eight collections every year (two pre-collections, two major collections and four fashion-shows collections). It takes approximately four to five months between the placing of the initial orders and the delivery of the first finished products to customers.

The chart below shows, as an example, the calendar and the major operating stages of the Pre-Spring and Spring/Summer collections:

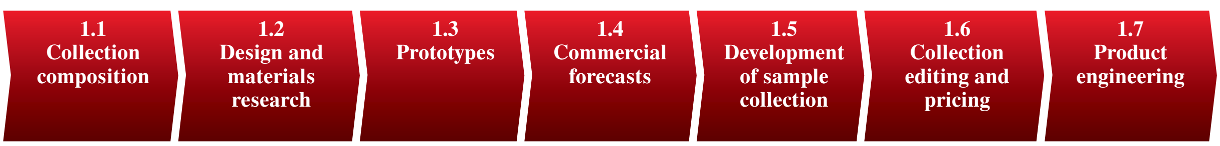
Sample Pre-Spring ("PSP") and Spring/Summer ("SS") calendar



Our value chain can be subdivided into the following major stages, corresponding to specific functions: (i) product creation and development; (ii) the sales campaign; (iii) purchase of raw materials; (iv) manufacturing and quality control; (v) distribution logistics and (vi) commercial distribution. The following chart and explanatory paragraphs briefly explain the component stages.

Production Creation and Development

Product creation and development is a complex process including various sub-stages and involving many corporate functions, as illustrated by the graphic below.



Each new collection is created and launched with the input of our creative director after coordinating meetings with our designers and merchandisers. During these meetings, the composition of the collection is defined (STAGE 1.1), taking into account market analyses as well as seasonal fashion trends. Thereafter, the stylists and designers begin to design the model, research materials and define the color portfolio for each product category (STAGE 1.2). Our designers then create prototypes, enabling them to assess the line and product aesthetic, and allowing technicians to anticipate any product engineering issues that may arise (STAGE 1.3). Prototyping is carried out completely in-house for footwear and leather goods. Our creative director participates in the product development process by monitoring the progress of designs and prototypes and coordinating product development across different product categories. Once the prototype is approved, we decide the color and material variants for each model and a sample collection is produced (STAGE 1.5). We then undertake aesthetic, technical and merchandising tests, to hone our choices (STAGE 1.6) before presenting the collection for sale in the showrooms. The last product development stage, which takes place during the sales campaign, is production (STAGE 1.7). This consists of fine tuning the products and reproducing them in various sizes for the purposes of mass production.

Sales Campaign

The collection of commercial orders for our products is directly supervised by us (without the participation of distributors or importers) through our three showrooms in Florence, Milan and New York. At the beginning of the sales campaign our creative director, together with our corporate marketing department and the product merchandising department, identifies the styles and themes in the collections and the product groups used for window displays, communications and the catalogue. Information on this selection is provided to buyers so that they can consider it in making their purchases. The actual sales campaign begins when the sales department sends projections to the manufacturing department. These figures are used to plan the procurement of raw materials and the launch of production for the collection.

During the sales campaign, orders are taken at our showrooms from direct retail and wholesale customers to form an order portfolio. Buyers place orders by selecting products and defining the product range in accordance with our guidelines and their budgets. In regions where the shops network is particularly widespread, wholesale buyers often consult in advance with managers of the major shops. We also present our collections in our showrooms, highlighting style themes and occasions for use, as well as providing a breakdown of articles by price range. In addition, our showrooms display the full Salvatore Ferragamo offering across all product categories, simulating the effect of a point of sale.

The average duration of a sales campaign during which orders are collected is approximately 30 days. The initial orders normally come from the Retail Channel and, based on these orders, we begin raw material procurement and production planning. Even before the sales campaign and before the order portfolio is complete, we place "blind orders" of raw materials which provide a baseline inventory of raw materials. For example, our 2011 Pre-Fall women's footwear blind order was equal to approximately 24% of the total tanned hides that we required for the whole order portfolio.

Through the course of our sales campaign, we are able to directly oversee our distribution by managing the selection of the products and customers (in the case of our Wholesale Channel) and overseeing the assortment of products at the points of sale.

Purchase of Raw Materials

Once the order portfolio is complete, we source the necessary raw materials, not previously procured through our "blind orders," from among our carefully selected suppliers. We do not have exclusive suppliers but, to the extent that they create materials for us upon our instructions, they are prohibited by contract from selling those materials to third parties. We carry out quality control checks of all materials purchased from suppliers as a whole, with the exception of silk, which is instead checked directly by the printers. For our footwear and leather goods product lines, we purchase tanned hides from tanneries in Italy and France, countries that are worldwide leaders in this sector. Our technical staff and consultants choose the best quality hide and certify that choice by stamping each individual hide that will eventually be used in our products. For our RTW product line, we mostly source cotton, silk and cashmere wool fabric from companies of high standing, the majority of which are Italian. For our accessories product line, we purchase primarily silk fabric from silk factories in the region of Como, Italy.

Management of Manufacturing and Quality Control

Once raw materials have been sourced, production begins. The following presents a brief synopsis of the manufacturing cycle of our main product lines.

Manufacture of footwear, leather goods and RTW products

To manufacture footwear, leather goods and RTW products, we contract only with specialized Italian workshops ("**external workers**" or "**workshops**") with high quality standards, most of which we have worked with for many years. We perform quality control checks throughout the manufacturing process, including through the supervision of product development and product engineering and through final checks on the finished products that arrive in our warehouse.

The production cycle is structured in four main stages:

- *Production planning*, in which we verify production capability required to meet the delivery timeframe;
- *Allocation of work orders to external workers,* in which we distribute work orders upon an assessment of the technical and production capacities of the worker;
- *Launch of production*, in which we send materials (hides, fabrics, accessories, etc.) and documents (production notes, labels, etc.) necessary for manufacturing the assigned articles to the external workers; and
- Production and delivery activities, in which we:
  - Provide clients' with updates on delivery dates for orders in production;
  - Send delivery requests and reminders to workshops; and
  - Provide technical assistance to the external workers as required.

We regularly monitor production performed by external workers through workshop visits by our technicians who follow the production process, resolve any problems and check the quality of the finished products. Our integrated computer system connects almost all of the external workers with our own systems, facilitating our management of all stages of production and use of raw materials. Another important element of our production system is our "production by commercial order" method in which each production lot is manufactured pursuant to a specific commercial order in the order portfolio. This method optimizes both raw materials and finished products inventories, and ensures that we can trace every product by serial number to the relevant external worker and customer order.

With respect to footwear production, we have a small in-house prototype and production division (called "***Manovia***") comprised of material cutters, closers and assemblers. Manovia mainly creates samples and prototypes and fine tunes structures (frames, heels, insoles and soles) for new models. By maintaining this capability in-house we are able to preserve confidentiality and ensure the necessary speed during prototyping, as well as monitor the costs of creating certain prototypes. Furthermore, Manovia produces our "Ferragamo Creation" collection based on designs in the historical archives of the Ferragamo Museum.

Production of silk products and other accessories (neckties and foulards)

External workers also handle the production of silks (neckties and foulards) and accessories. Workshops mainly in Como, Northern Italy produce our neckties and foulards and workshops mainly in Tuscany make our *bijoux* (earrings, bracelets, necklaces, pins and jewelry in general). Neckties are created as "goods in process," meaning we send the raw materials to the workshops that produce the neckties according to the specifications received. All other accessories are created as "finished products," meaning we provide the specifications and quality standards of the materials and product without, however, directly managing the purchase of raw materials or the manufacturing stages. In this case, the workshops provides us with an already finished product, which is checked upon its arrival at our warehouse in order to verify its quality.

Distribution Logistics and Commercial Distribution

Final quality controls are carried out at the warehouses, owned and operated by us in the case of footwear, leather goods and accessories, and operated by the outsourcer, Fashion Logistics, in the case of apparel. In either case, the products are checked, retouched if necessary, and packaged using the final packaging materials for sale to the end consumer. Shipments are organized based upon input from our Regional Offices and our customer service center in our Corporate Headquarters. If required by a specific market, shipments are occasionally prepared directly for the final point of sale; in other cases, they are prepared for the regional distribution centers for on-shipment to the local points of sale. Outside of Europe, we maintain distribution centers in the U.S., Mexico, Japan, and the Asia-Pacific countries in which we operate. All shipping is done by third party couriers. Although we largely produce and distribute merchandise based on orders received, an assortment of the classic models contained in the collection is always kept in stock so that our distribution networks can be quickly replenished.

Distribution and Sales Channels

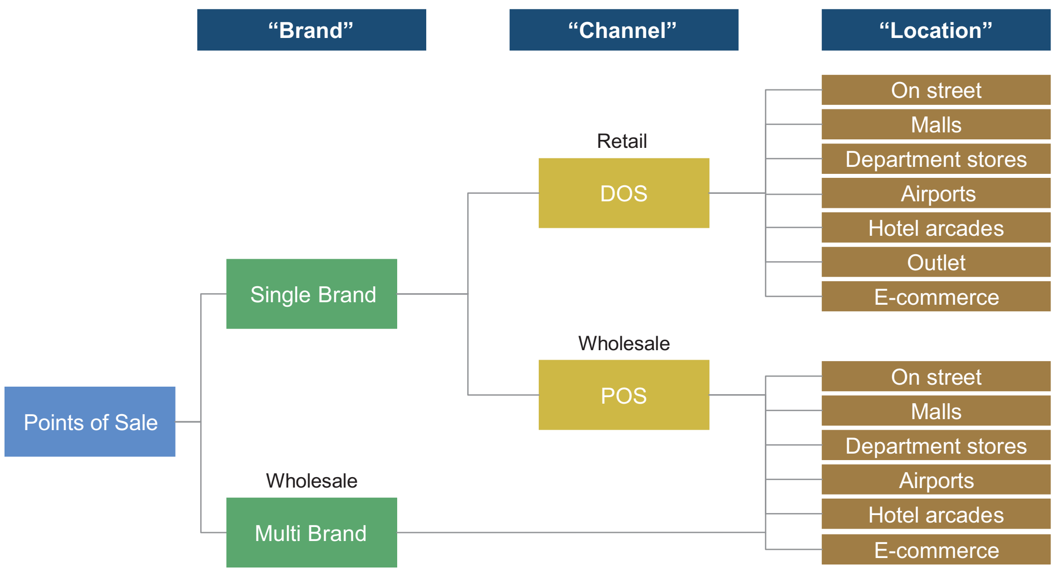
Due to our broad, well-established presence in both traditional markets (Europe, the United States and Japan) and emerging markets (China and Latin America), we have considerable distribution capacity.

We oversee distribution of our products through:

- Our Retail Channel of 312 DOS (as at March 31, 2011); and
- Our Wholesale Channel of 266 third party POS (as at December 31, 2010) as well as presence in multi-branded stores.

As at December 31, 2010, our products were available in 578 locations, including DOS and POS. During the year ended December 31, 2010, 69.5% of our consolidated revenue was generated through our Retail Channel and 28.6% through the Wholesale Channel.

The following chart shows our points of sale by channel, brand and type of location.



As at December 31, 2010, we distributed our products in 92 countries worldwide. Throughout the world, our points of sale are selected based on their location and their ability to represent the qualities of our brand.

Retail Channel

Our Retail Channel consists of 312 DOS that conduct retail sales to end consumers. During the years ended December 31, 2008, 2009 and 2010, the revenue we generated by direct sale through the Retail Channel amounted to €435.7 million, €420.4 million and €543.0 million, respectively, corresponding to 63.1%, 67.9% and 69.5%, respectively, of our aggregate sales revenue for those years. Our DOS are distributed throughout the main markets where we operate. We focus on maintaining a presence in prestigious and strategic locations, including: Via de' Tornabuoni in Florence; Via Montenapoleone in Milan; Avenue Montaigne and Rue du Faubourg St. Honoré in Paris; Old Bond Street in London; Fifth Avenue in New York; Rodeo Drive in Beverly Hills; Avenida Masaryk in Mexico City; the Ginza District in Tokyo; Canton Road in Hong Kong; and the Central Plaza in Shanghai.

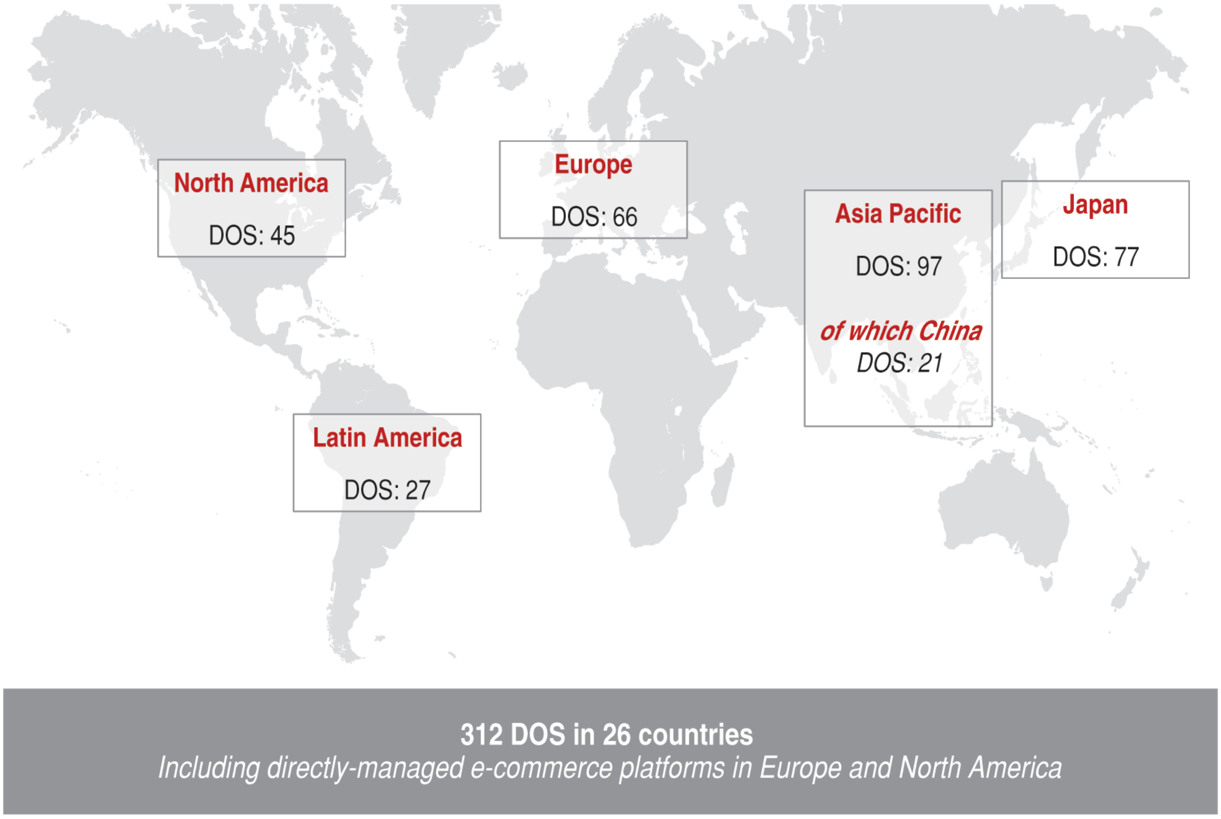
The following table summarizes the total square meters of our DOS in key cities worldwide.

As at December 31, 2010

	total m^2 per city		**total m^2 per city**
Milan	657	Hong Kong	2,008
Rome	935	Beijing	1,084
London	1,103	Shanghai	1,193
Paris	1,046	Seoul	2,091
New York	2,115	Singapore	1,328
Tokyo	2,974	Mexico City	1,059

The map and chart below provide the geographic location of our DOS as at December 31, 2010 and recent openings during the 2008-2010 three-year period.

Geographic location of the DOS (December 31, 2010)



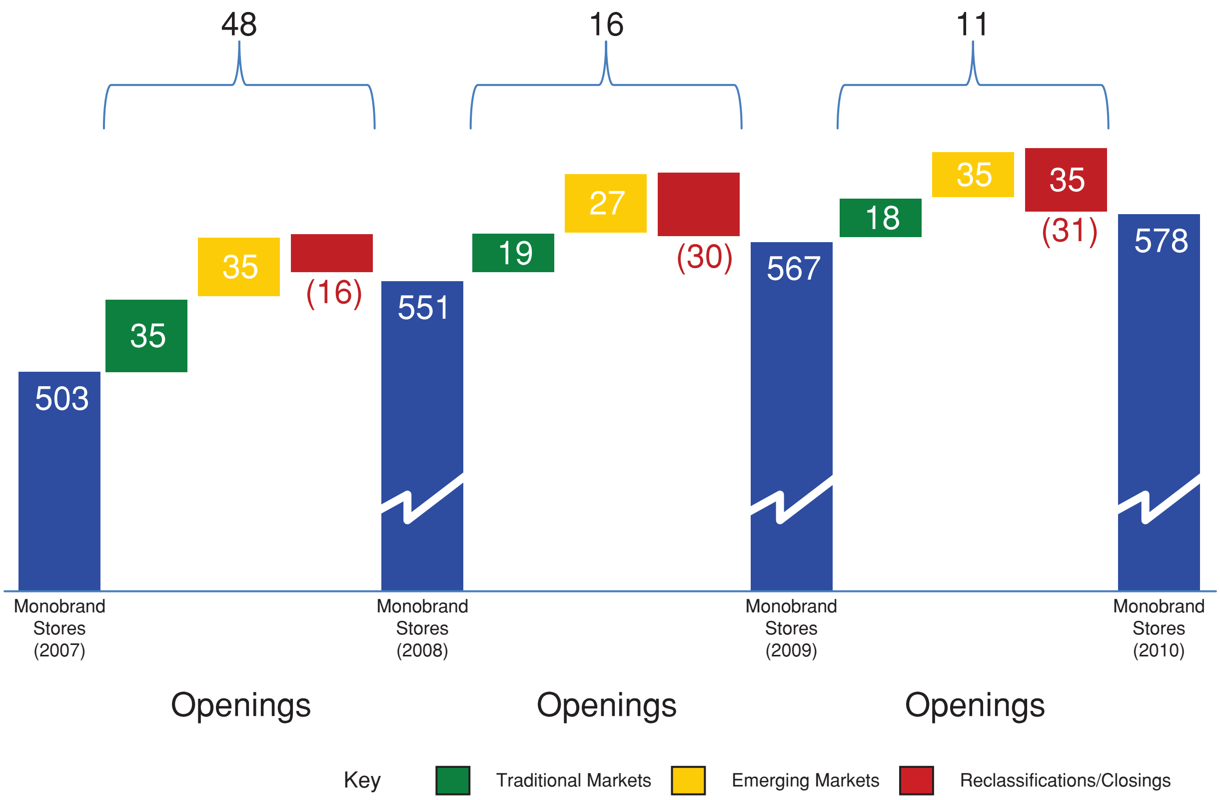
Source: Salvatore Ferragamo S.p.A.

New DOS openings, net of closed DOS (2008-2010)

	Year ended December 31,			
Net DOS openings	**2008**	**2009**	**2010**	**Total**
Europe	6	3	1	10
Japan	2	(2)	2	2
Asia-Pacific	5	19	8	32
China	1	11	4	16
North America	5	4	2	11
Latin America	3	2	—	5
Total	**21**	**26**	**13**	**60**

Our monobrand presence includes DOS, corner shops and wall units as well as other points of sale for one or more product categories of the Ferragamo brand, whether or not operated directly by us. The following graphic illustrates the growth of our monobrand stores by openings for the periods indicated.

Growth of our monobrand presence (2008-2010)



Source: Salvatore Ferragamo S.p.A.

The table below shows the growth of our monobrand distribution network in the Asia-Pacific region during the 2008-2010 three-year period.

Growth of our monobrand distribution network in the Asia Pacific Region (2008-2010)

Monobrand presence in the Asia Pacific Region	Year ended December 31,								
	2008			2009			2010		
	DOS	POS	Total	DOS	POS	Total	DOS	POS	Total
Greater China	23	52	**75**	38	46	**84**	42	49	**91**
of which China	6	34	**40**	17	28	**45**	21	32	**53**
of which Taiwan	9	10	**19**	9	10	**19**	10	8	**18**
of which Hong Kong	8	5	**13**	11	5	**16**	10	5	**15**
of which Macao	0	3	**3**	1	3	**4**	1	4	**5**
South Korea	25	12	**37**	28	12	**40**	29	12	**41**
Australia	9	7	**16**	9	8	**17**	10	7	**17**
Rest of the Asia Pacific region	13	28	**41**	14	30	**44**	16	31	**47**

Source: Salvatore Ferragamo S.p.A.

We plan the look and customer experience of our DOS. Once opened, an intern staff of architects and visual merchandisers who are supported by external professional firms constantly maintain and restyle our DOS as required. We have developed specific training programs dedicated to our sales staff, focusing on product knowledge and customer service. Specifically, we established a program of initial basic training for new employees, supported by an e-learning platform. We also provide basic courses coordinated by our Corporate Headquarters for sales staff and shop managers. For each season, ad hoc training ensures our staff is knowledgeable and familiar with the new items arriving for sale. To instill motivation in our retail staff, we have implemented and fine tuned a system of variable incentives since the 1990s. We award both individual and shop team performance incentives based on quantitative and qualitative objectives that we set at the beginning of each year.

To select the range of products for the various types of DOS, we establish guidelines at the Corporate Headquarters based on market potential and the characteristics of the points of sale. Buyers and merchandisers in our Regional Offices then select the best assortment of products in terms of models, materials and color variants.

Our DOS also include two e-commerce shops operated directly through our site www.ferragamo.com. One e-shop, in four languages (Italian, English, French and Spanish), is dedicated to the European market and another, in English, is for the U.S. market. As at the date of this Offering Circular, our e-commerce site supports sales in the following countries: United States, United Kingdom, Italy, France, Belgium, Monaco, Spain, Austria, Bulgaria, Cyprus, Czech Republic, Germany, Denmark, Estonia, Finland, Greece, Hungary, Ireland, Lithuania, Luxembourg, Latvia, Malta, the Netherlands, Poland, Portugal, Romania, Switzerland, Slovenia and Slovakia. In addition, our DOS also include 32 outlets where only the un-sold products of previous collections are offered in a store environment that is consistent with the image of our brand.

Wholesale Channel

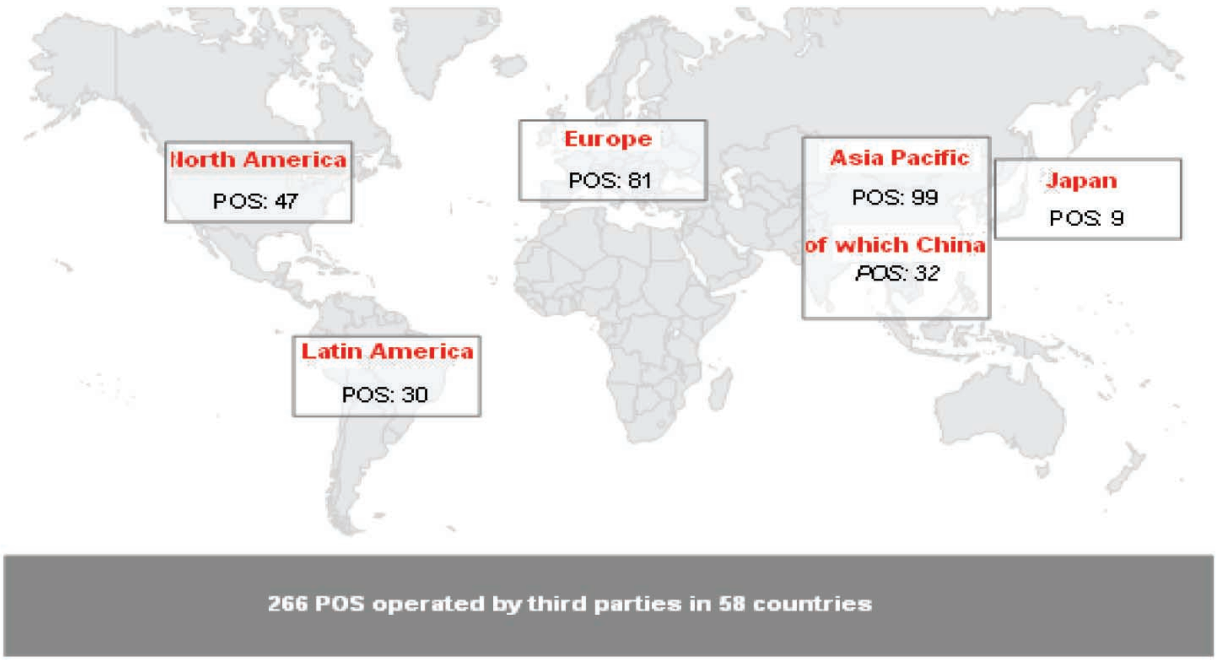
Our Wholesale Channel includes 266 POS operated by third party distributors under licenses granted by our Group. During the years ended December 31, 2008, 2009 and 2010, the revenue generated by sales through the Wholesale Channel amounted to approximately €237.0 million, €185.0 million and €223.7 million, respectively, corresponding to 34.3%, 29.9% and 28.6%, respectively, of our total revenue. Our wholesale distribution network has developed pursuant to a series of agreements with various types of distributors. These third parties operate our POS exclusively under the Ferragamo brand. Under the terms of our agreements with POS operators, they are obliged, *inter alia,* to: (i) achieve minimum levels of revenue that we defined according to market dynamics; (ii) pay our Group certain royalties calculated as a percentage of revenue and (iii) furnish and decorate the POS according to our specifications to ensure a consistent image from region to region.

As with our Retail Channel, we carefully manage and, if necessary, customize, our Wholesale Channel distribution policy. Relationships with our customers in the Wholesale Channel are managed on the basis of purchase orders, carried out season by season. Our goal is to provide a range of our products that is appropriate for the respective POS market while still maintaining a coherent and exclusive image for our brand.

Within the Wholesale Channel, one important segment consists of duty free and travel retail stores located at major airports around the world. Our brand is present with single-brand POS in all major airports worldwide, on certain airlines and in the most exclusive hotels, both as duty free and duty paid POS. We view this segment as being especially important in the Asia-Pacific market because it is a means to cater to an affluent and worldly clientele. These POS also provide an increasingly complete range of our product offering, from our signature footwear to RTW, accessories and fragrances.

The Wholesale Channel also contains a multi-brand segment consisting predominantly of long-term relationships with prestigious department stores and specialty stores on six continents. Some of these multi-brand stores, including Bloomingdale's, Neiman Marcus and Saks Fifth Avenue, distribute our products through their own e-commerce sites. The following maps provide the geographic distribution of our POS operated by third parties and our partners in multi-brand stores as at December 31, 2010.

Geographic location of the POS operated by third parties (December 31, 2010)



Source: Salvatore Ferragamo S.p.A.

Department store chains where the Group's products are distributed

Source: Salvatore Ferragamo S.p.A.

Distribution Support Services

In order to adequately provide product distribution services in our various markets, we have developed the following capabilities in-house:

- a sales office that manages sales to showrooms and employs product-specialized sales associates;
- a visual merchandising office that designs shop window and product displays;

- an architecture office that maintains and develops the architectural concept of the various shops and integrates the design of all shops in keeping with our image; and
- a customer service office that provides communication with customers and management of any post-sale issue, including complaint management and repairs.

In our Retail Channel, purchase orders for our DOS are regionalized and managed by our Regional Offices with significant experience and knowledge of their respective markets. As such, our product offering can vary by region to some degree, which allows us to tailor our offering for local tastes and conditions. Our showrooms in Milan, Florence and New York host collection presentations to direct retail buyers and receive wholesale buyers during coordinated sales campaigns to build order portfolios.

Advertising, communication and marketing

Advertising and promotional support is a crucial tool for luxury companies such as ours and allows us to influence purchase selection and encourage brand loyalty over time. As befitting our leading position in the industry, we invest significant resources in advertising communication and marketing. Our Group maintains a dedicated internal department for this purpose, with specific skills in the sector. To better reach a wide but select consumer target, we employ various communication tools, from industry and general press, television, billboards and the internet, to promotions, direct marketing and initiatives at our points of sale. We also send messages to current and prospective consumers by means of window displays and displays of our products within our single-brand shops.

We also aim to communicate directly with consumers, not only through advertisements and promotional activities, but directly through the press. Therefore, our public relations activities have an important role in the dissemination of news and editorials about our products, along with alternative media activities that include "product placement" with film, theater and entertainment figures. In 2007, we established a team to manage product placement and celebrity relations. In 2009, we created a team of internet communication specialists to focus on producing and disseminating advertising material for the internet and mobile applications (such as for Android phones, iPhones and iPads). Between the end of 2009 and the beginning of 2011, we began a social media campaign by launching official pages for our brand on social networks such as YouTube, Facebook and Twitter.

Our advertising seeks to present a coherent image across many media through campaigns and events. Our advertisements are shot by prestigious photographers and feature famous testimonials. Noted fashion photographers Mario Testino, Bruce Weber and Mikael Jansson have produced advertisements for our brand featuring such glamour icons as Claudia Schiffer and Stella Tennant. Our campaigns highlight the sophistication of our brand and our fine product craftsmanship, while seeking to project a relaxed and natural elegance, with a Mediterranean *savoir-faire*.

Our CEO and our brand and product strategy committee direct these advertising campaigns to achieve a coherent image across seasons and product categories while our creative director and director of communications play key management and liaison roles with the photographers. In addition, catalogs, brochures, shop and window display panels and other printed materials are produced each season with images drawn from our advertising campaigns. To broaden and deepen our outreach, we also organize events in Italy and abroad, with the participation of journalists from print media, television and the internet. We also organize four catwalk shows per year during the Milan fashion weeks, with worldwide interest and press coverage.

In addition, we believe that our fragrances business is a key contributor to our communication efforts as we believe that our fragrances evoke our whole brand identity and can introduce our brand to new customers. In 2010, Ferragamo Parfums began creating and distributing a special personal care line for exclusive hotels, cruise ships and airlines (called the "Amenities Project").

Finally, the Salvatore Ferragamo Museum, located at the Palazzo Spini Feroni in Florence, our historic headquarters, represents an additional and important medium for communicating our brand heritage. The museum rotates exhibits of a large selection of over 13,000 pairs of Salvatore Ferragamo shoes, kept in its archives. The Salvatore Ferragamo Museum, in addition to footwear, exhibits patterns, patents, photos and testimonials showing the evaluation of our brand's style and materials used in its over 80 years of existence. The museum creates, organizes and promotes exhibits, seminars and events in order to integrate trends in art, design and entertainment with fashion. Our museum also launched a special project to celebrate our founder's legacy in the field of women's footwear and accessories. This project, called “Ferragamo Creation,” brings back a limited run of exclusive reissues of vintage products from the 1930s onward, sold in some of our most prestigious locations.

Among the events and shows promoted by the museum in the recent years are:

- the “Evolving Legend” show organized in Shanghai at MOCA and at the Milan Triennale, dedicated to a celebration of the 80 years of our history;
- the “Greta Garbo: the mystery of style” show organized at the Milan Triennale and at the Salvatore Ferragamo Museum dedicated to Ms. Garbo as a fashion icon;

- the “Perfectly Made” show, which highlighted artisan workmanship and our ties with the city of Florence.

Information Technology

Our information technology systems (“**IT**”) assist in integrating and coordinating our worldwide business. We maintain robust IT security to achieve continued operation and protect our data. Security procedures are formalized and subject to a yearly internal inspection. IT has historically been centered at the Corporate Headquarters, where we coordinate the IT needs for Europe, Parfums and our e-shops. In our Regional Offices, we have established IT centers in North America and Japan. Currently, our Asia-Pacific operations, with the exception of Australia and India, are not part of the rest of the Group IT network, but rather have IT operated by our joint venture partners. Connection between our offices and the spread of centralized applications are made possible by an efficient network system. Furthermore, sales, inventory and order data for all of our DOS is consolidated and managed by a combination of proprietary systems and third party software. Our e-commerce system was introduced in 2009 and aims to provide users with a consistent experience and level of service worldwide that befits our traditions and image.

To meet the growing need for an ever-increasing intra-Group integration, we have launched the “Marlin Project” to renovate our IT and/or distribution logistics systems in major Asian countries (Greater China, Korea and Japan) between 2011 and 2013. With this initiative, we intend to unify and optimize our distribution systems over the medium/long term with the goal of continually improving our service to the Asia-Pacific, one of our key strategic markets.

Management Control System

Our current management control system provides management with the following services:

- monitoring of the major critical risks affecting our Group;
- evaluation of performance and attainment of business objectives as compared to historical trends and budget expectations;
- tools and procedures relating to the Group’s planning and control functions; and
- data and information with particular attention to financial information.

As at the date of this Offering Circular, we are seeking to improve our management control system through the following on-going initiatives:

- Improving our Group-wide processes and data collection related to financial statements and accounting through: (i) formalization of processes related to budgeting and forecasting; financial statement preparation at the Group and subsidiary levels; and software across Group companies; (ii) standardization of certain basic accounting records in use across Group companies that generate 70% of our revenue; (iii) standardization of financial statements for Group companies that generate 75% of revenue by creating special interfaces (already in the test phase); and (iv) standardization of the data input method used to prepare budgets and forecast data;

- Updating the internal audit systems of our Group to comply with the new regulations we will be subject to as a publicly traded company; and
- Strengthening our IT systems relating to retail activities through the Marlin Project, which we intend to implement between 2011 and 2013, initially in our businesses in Singapore, Malaysia and Thailand, and subsequently in Japan and South Korea. The Marlin Project aims to increase the efficiency of our logistic processes and the information available to the Group.

Research and Development

Our competitiveness depends primarily on our brands' image, prestige and notoriety, but it also depends on our ability to produce new fashion apparel in line with customers' preferences and market trends. We therefore engage in various research and development activities to design, create and develop new products for our divisions and product lines. Research and development costs recognized in our statement of income for the years ended December 31, 2008, 2009 and 2010 were equal to €18.6 million, €16.5 million and €16.8 million, respectively.

Prevention of Counterfeiting

We take a number of steps aimed at combating and preventing trademark infringement and product counterfeiting. Our primary initiatives to prevent and combat infringement and counterfeiting include constant monitoring of the channels of commerce by both an in-house team and by external consultants who take action against counterfeiters and intercept the importation of such products.

Joint Ventures and Distribution Contracts

Certain Joint Ventures

We have formed various joint ventures companies with local partners to carry out our sales and distribution functions in certain territories, particularly in the Asia-Pacific region and in Japan. See "Risk Factors—We are dependent on our joint venture and distribution partners in some of our primary markets and, in our Wholesale Channel, we are subject to certain risks arising from points of sale operated by third parties" and "Management's Discussion and Analysis of Results of Operations and Financial Condition—Fiscal Year Ended December 31, 2009 Compared to the Year Ended December 31, 2010—Non-controlling interests." Ownership interests in many of these joint ventures were previously held by FIBV, our former subsidiary organized to manage the Group's international affairs, which was merged into the Issuer in 2009.

The table below summarizes key features of our primary joint ventures as at the date of this Offering Circular.

Group entity	Joint venture partner(s)	Non-controlling participation	Joint venture entity or entities	Date formed
Company	Aoi Company ("**Aoi**") Mitsubishi Corporation ("**MC**")	15% 14%	Ferragamo Japan, K.K. ("**Ferragamo Japan**")	Jan. 1, 2000

Termination rights:

Agreement can be terminated at any time upon written agreement of the parties.

Put options:

Aoi and MC may put all (but not less than all) of their shares following(1): (i) a serious and persistent dissatisfaction of Aoi and/or MC as to the management of the joint venture; (ii) serious and documented

(1) As at March 31, 2011, we recorded the value of this put option on our statement of financial position as €2.8 million.

financial needs of Aoi or MC requiring sale of their shares and (iii) documented strategic decision of Aoi and/or MC concerning its policy of investment in the Japanese luxury sector.

Call option:

The Company may call Aoi and MC's shares following inability to resolve a deadlock in the board of directors or shareholders' meeting of Ferragamo Japan.

Calculation of Put/Call option price:

If the put or call option is exercised, the price per share is calculated starting from a reference price set in the agreement with a tolerance margin of plus or minus 10% and taking into account: (i) changes in Ferragamo Japan's average net income over the three years prior to the exercise of the option as compared to Ferragamo Japan's net income in 1996, and (ii) Ferragamo Japan's net asset value (equity) at the end of its most recent fiscal year.

Group entity	Joint venture partner(s)	Non-controlling participation	Joint venture entity or entities	Date formed
Company	Ferrinch Limited ("**Ferrinch**")	50%	Ferragamo Korea Limited ("**Ferragamo Korea**")	Dec. 30, 2002, as amended

Termination rights:

Agreement can be terminated: (i) at any time upon written agreement of the parties, (ii) upon termination of the distribution agreement with Ferragamo Korea or (iii) upon an unresolved deadlock or material default by one party.

Put options:

Upon termination, Ferrinch may require the Company to purchase all of its shares.

Call option:

The Company may call all of Ferrinch's shares upon termination of the agreement and may call up to 70% of Ferrinch's shares if: (i) Ferrinch's indirect controlling shareholders (Li & Fung (1937) Limited) cease to control at least 30% of Trinity Limited, which indirectly controls Ferrinch, and/or (ii) Trinity Limited ceases to control, directly or indirectly, the entire share capital of Ferrinch.

Put/Call option price:

The exercise price for the put/call option is equal to the net depreciated asset value of the joint venture (pro rata for the shareholding purchased) as determined by the parties or by a leading international audit firm.

Group entity	Joint venture partner(s)	Non-controlling participation	Joint venture entity or entities	Date formed
Company	DLF Retail Brands Limited ("**DLF**")	49%	Ferragamo Retail India Private Limited ("**Ferragamo India**")	Apr. 28, 2008, as amended

Put option:

DLF may require the Company to purchase all of its shares after June 30, 2016[(2)] or if either of the following agreements is terminated: the exclusive distribution contract between Ferragamo India and Ferragamo Hong Kong or the licensing agreement for the Ferragamo brand between Ferragamo India and the Company.

(2) As at March 31, 2011, we recorded the value of this put option on our statement of financial position as €0.6 million.

Call option:

The Company may call all of DLF's shares before June 30, 2016.

Put/Call option price:

The exercise price of the Company's call option is equal to an amount of Indian Rupees equal to approximately €567,000 as at March 31, 2010, plus annual interest of 17% per year if the option is exercised between June 30, 2010 and June 30, 2013 or annual interest of 22% if the option is exercised between June 30, 2013 and June 30, 2016. The exercise price of DLF's put option is equal to an amount of Indian Rupees equal to approximately €567,000 as at March 31, 2010, plus annual interest of 22%.

Group entity	Joint venture partner(s)	Non-controlling participation	Joint venture entity or entities	Date formed
Company	L&F Branded Lifestyle International Limited ("**LFBI**")[3]	50%	Ferragamo Malaysia Sdn Bhd Ferragamo (Singapore) Pte Ltd. Ferragamo (Thailand) Limited PT Citra Moda (Indonesia)[4] (collectively, the "**ASEAN Companies**")	Mar. 18, 2003, as amended

Termination rights:

Agreement can be terminated at any time upon written agreement of the parties or upon material breach of one party. In addition, the agreement automatically terminates in the case of (i) early termination or non-renewal of the franchise agreements between Ferragamo Hong Kong and certain ASEAN Companies; (ii) if the Company or LFBI acquire 100% of any ASEAN Companies; or (iii) in case of a management deadlock between the parties.

Put/Call options:

Put and call option granted to LFBI requires LFBI to sell and the Company to buy all of LFBI's shares in the ASEAN Companies in case of termination.

Additionally, the Company can increase its shareholding to 70% in each of the ASEAN Companies if (i) LFBI's indirect controlling shareholders (Li & Fung (1937) Limited) cease to control at least 30% of Trinity Limited, which indirectly controls LFBI, and/or (ii) Trinity Limited ceases to control, directly or indirectly, the entire share capital of LFBI.

Put/Call option price:

The exercise price for the put/call option is equal to the net depreciated asset value of the joint venture (pro rata for the shareholding purchased) as determined by the parties or by a leading international audit firm.

Group entity	Joint venture partner(s)	Non-controlling participation	Joint venture entity or entities	Date formed
Company	Imaginex Overseas Limited ("**IOL**")	50%	Ferragamo Moda (Shanghai) Co. Ltd. ("**FMS**")	Aug. 23, 2005, as amended

(3) LFBI is controlled by Trinity Limited, which is controlled by Li & Fung (1937) Limited.

(4) PT Citra Moda is no longer in operation and has been liquidated.

Termination rights:

The agreement can be terminated at any time upon written agreement of the parties, following a management deadlock or upon material breach of one party (as a result of which such party suffers insolvency, assignment of assets to creditors or a change of control). The Company may also terminate the agreement if the distributor contract between Ferragamo Hong Kong and FMS is terminated or not renewed.

Put option (exercisable prior to January 1, 2013):

IOL may require the Company to purchase all of its shares if the joint venture agreement or related distribution agreements are no longer in effect. The exercise price for the option is equal to the ratio of the net depreciated asset value (as determined by the parties in accordance with the agreement) of FMS and the share capital of FMS, multiplied by the shareholding of IOL being sold.

Call option (exercisable prior to January 1, 2013):

The Company may increase its shareholding by requiring IOL to sell up to 100% of its shares under the following circumstances: (i) material breach by IOL; (ii) winding up of IOL; (iii) change in control of IOL or (iv) the distribution contract between Ferragamo Hong Kong Limited and FMS is not renewed.

Increase of the Company's shareholding:

On January 1, 2013, IOL is required to sell 25% of its shareholding in FMS to the Company for €3.2 million.

Put option (exercisable subsequent to January 1, 2013):

IOL may require the Company to sell its shares under the following circumstances: (i) deadlock in the board of directors or shareholders' meeting of FMS or (ii) termination of the joint venture agreement by mutual consent as long as the Company retains its 75% shareholding in FMS. The exercise price for the option will be calculated based on the fair value of the shareholding being purchased as determined by the parties or, in absence of agreement, by an international investment bank chosen by the parties.

Group entity	Joint venture partner(s)	Non-controlling participation	Joint venture entity or entities	Date formed
Ferragamo Hong Kong Limited	Imaginex Holdings Limited ("**Imaginex**")	50%	Ferrimag Limited ("**Ferrimag**")	Mar. 28, 2002, as amended

Termination rights:

Agreement can be terminated at any time upon mutual consent of the parties, upon a deadlock lasting longer than 1 month or if either party acquires 100% of the share capital of Ferrimag. In addition, either party can terminate the agreement if (i) the other party is in material breach (for more than 60 days) of the agreement or another agreement related to Ferrimag or its group; (ii) the other party experiences an insolvency event or assignment of assets to creditors; or (iii) the other party experiences a change of control (a "**Default Termination**").

Put/Call options:

Upon termination or deadlock, Ferragamo Hong Kong and Imaginex will respectively have call and put options for the entire shareholding of Imaginex. In addition, Imaginex Holdings may exercise a put option on all or part of its holdings in Ferrimag or on all of the shares of one of Ferrimag's or the Ferragamo Group's subsidiaries in China, on the condition that the joint venture agreement and/or the related distribution contracts are no longer in force.

Put/Call option price

The exercise price of the options is set by the agreement as the net depreciated asset value of the company subject to the option for the relevant shareholding (on a consolidated basis in the case of Ferrimag).

Increase of Company's shareholding:

On January 1, 2013, Imaginex is required to sell 25% of its shareholding in Ferrimag to the Company for €36.8 million.

Put/call options (exercisable subsequent to January 1, 2013):

Upon termination of the shareholders agreement or deadlock in the board of directors, Ferragamo Hong Kong will be obliged to purchase and Imaginex will be obliged to sell, its 25% shareholding in Ferrimag. In the case of a Default Termination, Ferragamo Hong Kong will have the right to purchase, and Imaginex will be required to sell, Imaginex's 25% holding in Ferrimag.

Put/Call option price

The exercise price for the option will be calculated based on the fair value of the shareholding being purchased as determined by the parties or, in absence of agreement, by an international investment bank chosen by the parties.

Distribution Contracts

Each joint venture in the Asia-Pacific region has entered into a distribution contract with our subsidiary Ferragamo Hong Kong in order to have the right to trade under our trademarks and distribute our products in certain specified territories. Ferragamo Hong Kong has been appointed, for an indefinite term, as our exclusive distribution agent in the Asia-Pacific region. In the case of each of the joint ventures listed above, Ferragamo Hong Kong has concluded distribution agreements with the joint venture entities authorizing them to use the Ferragamo trademarks and to exclusively distribute our products in certain territories (and prohibiting us from appointing other distributors in those same territories). These distribution contracts share similar features which require, *inter alia,* the distributor to: (i) meet certain sales volumes goals, (ii) implement a business plan as agreed upon by us and the joint venture partner in our respective capacities as shareholders of the joint venture entity and (iii) maintain the high standards of customer service, brand image and quality that are associated with our business worldwide. The table below summarizes key features of certain distribution contracts (other than the provisions previously described above which are common to all distribution contracts).

Group entity	Joint venture entity or entities	Date formed	Expiration	Territory covered	Certain provisions regarding termination
Ferragamo Hong Kong Limited ("**FHK**")	Ferragamo Japan	July 30, 2002	two and half years, renewable automatically for a period of five years, unless either party terminates	Japan	In case of termination of the distribution contract or expiry of the contract without renewal, FHK shall have the right to acquire the entity selling network of Ferragamo Japan, including shops and merchandise, (i) according to its net depreciation value or (ii) as apprised by an independent expert if the (i) is not feasible.
FHK	FMS	July 10, 2007	five years from Mar. 28, 2007, renewable for a five year term upon agreement of both parties	certain areas of China	In case of termination or expiry of the distribution contract, FHK shall have the right, in its discretion, to either: (i) purchase the entire selling network of FMS or (ii) require that FMS transfer the selling network to a designee of FHK, in both cases for a good faith price not to exceed net depreciated value of the business. If it is not possible to fix such price, an independent expert will make a determination which shall be binding upon both parties.
FHK	Ferragamo India	Apr. 28, 2008	as long as joint venture contract remains in effect	India (excluding duty free shops in airports)	In case of termination or expiry of the contract, FHK shall have the right, in its discretion, to either: (i) purchase the selling network of Ferragamo India on its own behalf or that of a third party or (ii) require that Ferragamo India transfer the selling network to a designee of FHK, in both cases for a good faith price not to exceed net depreciated value of the business. If it is not possible to fix such price, an independent expert will make a determination which shall be binding upon both parties.

Intellectual Property and Licensing

Trademarks and Trade Names

As at the date of this Offering Circular, the principal owned trademarks or trade names that we use in our business were "Ferragamo" and "Salvatore Ferragamo," which we have registered in all of the countries in which we operate either in the signature version that is our most recognizable trademark or in versions which are adapted to various local alphabets or ideographs (e.g., Ferragamo written in Japanese Katakana syllabary, in Chinese ideographs or in the Arabic alphabet). We have also trademarked our signature *Gancino* symbol and certain other marks used in our products.

Licenses

The only brand that has been licensed to us for use in our business relates to "Ungaro" (including "Emanuel Ungaro" and "U by Ungaro"), owned by Emanuel Ungaro Italia S.r.l. and granted to our subsidiary Ferragamo Parfums. Ferragamo Parfums has been granted the right to produce, market, distribute and sell its fragrance products bearing the Ungaro trademarks in exchange for paying a certain percentage of net revenue as a royalty to Emanuel Ungaro Italia S.r.l. Ferragamo Parfums is also required by the terms of the licensing contract to expend a certain percentage of revenue on publicity and promotional campaigns. The length of the license is twelve years (expiring on December 31, 2016). See "Risk Factors—Our results could be adversely affected if we are unable to negotiate, maintain or renew our license agreements."

We have granted a number of exclusive licenses to select third parties in order to expand our product offering into other areas. These licenses are granted to prestigious companies who we have carefully chosen due to their expertise in their respective fields. In addition, we have signed a number of intragroup licensing contracts with our subsidiaries that operate around the world. The table below summarizes certain provisions of certain of our license agreements, including brands licensed, geographic areas covered, scope of the agreement and expiration dates.

Licensor	Licensee	Brand(s)	Territory/object	Signed/Renewed	Expiration[1]
Emanuel Ungaro Italia S.r.l.	Ferragamo Parfums S.p.A.	3 contracts covering: Ungaro Emanuele Ungaro U by Ungaro	All territories Operational agreement pursuant to which Ferragamo Parfums develops markets, distributes and sells fragrances bearing the Ungaro trademarks	Nov. 17, 2005	Dec. 31, 2016
Salvatore Ferragamo S.p.A.	Luxottica Trading and Finance Limited	Salvatore Ferragamo Ferragamo	All territories Allows Luxottica to produce eyewear and accessories bearing the Ferragamo trademarks	Jan. 30, 2009	Dec. 31, 2011
Salvatore Ferragamo S.p.A.	Marchon Europe B.V.	Salvatore Ferragamo Ferragamo	All territories Allows Marchon Europe to produce eyewear and accessories bearing the Ferragamo trademarks	Mar. 31, 2011 (with effect on Jan. 1, 2012)	Dec. 31, 2016
Salvatore Ferragamo S.p.A.	Timex Watches B.V.	Salvatore Ferragamo Ferragamo	All territories Allows Timex to produce timepieces and accessories bearing the Ferragamo trademarks	Apr. 12, 2007, (modified on Mar. 8, 2010 and Nov. 17, 2010)	Dec. 31, 2022
Salvatore Ferragamo S.p.A.	Trident International Holdings FZCO	Salvatore Ferragamo Penthouses Ferragamo Penthouses	All the Middle East Allows Trident to design, develop, promote and sell exclusive units bearing the Ferragamo name inside the Pentominum, a luxury residential building in Dubai	Feb. 13, 2008	Feb. 13, 2014
Ferragamo Parfums S.p.A.	Avon Products Inc.	U by Ungaro	the United States Operational agreement pursuant to which Avon Products develops markets, distributes and sells fragrances bearing the U by Ungaro label	Dec. 20, 2007	Jun. 20, 2012
Salvatore Ferragamo S.p.A.	Ferragamo Hong Kong Limited	Salvatore Ferragamo Ferragamo	Greater China (onshore markets), Asia (offshore markets) Allows Ferragamo Hong Kong Limited to act as our exclusive distributor in Greater China and Asia and market and sell our goods in those territories	Jan. 25, 2002 (onshore markets) Apr. 24, 2002 (offshore markets)	Jan. 25, 2005, automatically renewable May 7, 2007, automatically renewable
Salvatore Ferragamo S.p.A.	Ferragamo Moda (Shanghai) Co. Ltd.	Salvatore Ferragamo Ferragamo	Certain provinces and metropolitan areas of the People's Republic of China Allows Ferragamo Moda (Shanghai) to market and sell our products, including footwear, bags and belts in those territories	Jan. 18, 2008	Mar. 28, 2012
Salvatore Ferragamo S.p.A.	Ferragamo Fashion Trading (Shanghai) Co. Ltd.	Salvatore Ferragamo Ferragamo	Certain provinces and metropolitan areas of the People's Republic of China Allows Ferragamo Fashion Trading (Shanghai) to market and sell our products, including footwear, bags and belts in those territories	Jan. 18, 2008	Mar. 28, 2012
Salvatore Ferragamo S.p.A.	Ferragamo Parfums S.p.A.	Salvatore Ferragamo Ferragamo	All territories Operational agreement pursuant to which Ferragamo Parfums develops markets, distributes and sells fragrances bearing the Ferragamo trademarks	Jul. 1, 2001	Indefinite

(1) Note that license agreements may be subject to early termination in certain circumstances.

Employees

For the three months ended March 31, 2011, we had an average of 2,883 employees (full-time equivalent).

The following table lists our number of employees by category as at the date indicated.

	As at December 31,		
	2008	2009	2010
	(number of employees)		
Senior executives and managers	406	465	481
Clerical/administrative staff	2,137	2,028	2,121
Workers	2,13	209	225
Total	**2,756**	**2,702**	**2,827**

The following table lists our employees by subsidiary or by location, as the case may be, as at the dates indicated.

	As at December 31,											
	2008				2009				2010			
	Exec. & Man.(1)	Admin.(2)	Wrkrs.(3)	Total	Exec. & Man.(1)	Admin.(2)	Wrkrs.(3)	Total	Exec. & Man.(1)	Admin.(2)	Wrkrs.(3)	Total
	(number of employees)											
Salvatore Ferragamo S.p.A.	106	433	148	**687**	103	390	146	**639**	**108**	**410**	**151**	**669**
Ferragamo Parfums	11	25	—	**36**	12	20	—	**32**	**12**	**22**	**—**	**34**
FIBV(4)	1	1	—	**2**	1	1	—	**2**	**—**	**—**	**—**	**0**
Austria	1	8	—	**9**	1	7	—	**8**	**1**	**7**	**—**	**8**
Belgium	1	5	—	**6**	1	5	—	**6**	**1**	**6**	**—**	**7**
Germany	5	27	—	**32**	6	46	—	**52**	**7**	**41**	**—**	**48**
Spain	6	38	—	**44**	5	31	1	**37**	**6**	**36**	**1**	**43**
France	10	66	—	**7**	8	58	—	**66**	**8**	**60**	**—**	**68**
Canton of Ticino, Switzerland	1	9	—	**10**	1	9	—	**10**	**—**	**—**	**—**	**0**
Monaco	1	4	—	**5**	1	5	—	**6**	**1**	**4**	**—**	**5**
Netherlands	2	15	—	**17**	1	14	—	**15**	**1**	**14**	**—**	**15**
Switzerland (ex. Ticino)	2	15	—	**17**	2	10	—	**12**	**3**	**18**	**—**	**21**
United Kingdom	4	27	—	**31**	5	37	1	**43**	**6**	**37**	**2**	**45**
United States	81	302	53	**436**	109	264	48	**421**	**113**	**286**	**58**	**457**
Asia (ex. Japan)	88	653	11	**752**	130	648	10	**788**	**139**	**711**	**8**	**858**
Japan	76	434	—	**510**	65	397	1	**463**	**61**	**374**	**1**	**436**
Latin America	10	75	1	**86**	14	86	2	**102**	**14**	**95**	**4**	**113**
Total	**406**	**2,137**	**213**	**2,756**	**465**	**2028**	**209**	**2,702**	**481**	**2121**	**225**	**2,827**

(1) Senior executives and managers.

(2) Clerks and administrative employees.

(3) Workers.

(4) Ferragamo International B.V., one of the Group's Dutch affiliates, was merged into Salvatore Ferragamo S.p.A. on November 8, 2010.

Historically, we have enjoyed good labor relationships with our employees and we are committed to maintaining a positive relationship with them. We have never experienced a material job action or labor stoppage that has had a material impact on our business.

Reduction of hours. On October 27, 2009, due to the adverse trading conditions, Salvatore Ferragamo S.p.A. signed a solidarity agreement with certain unions in which the work force agreed to work reduced hours for a twelve month period starting November 1, 2009 and ending on October 31, 2010. By utilizing this method, we avoided redundancies and also lowered costs.

Severance and retirement benefit obligations. Italian law provides that, upon termination of employment, employees are entitled to severance pay (*trattamento fine rapporto* or TFR) based on their annual salary, length of employment and the rate of inflation. As at December 31, 2010, our provisions for retirement benefit obligations for our employees totaled €9.3 million (of which €7.3 million referred to TFR).

Various phases of our production process are outsourced to third parties pursuant to standard agreements. There can be no assurance that employees of these third parties would not, as a result of certain existing Italian employment laws and regulations, be considered employees of our Group and be entitled to the benefits that such a relationship would offer. See "Risk Factors—We are dependent on third party manufacturers and specialized labor."

Stock options. Our Group does not currently have a stock option plan for employees.

Properties

As at the date of this Offering Circular, we own a number of properties. In Italy, our properties are used for a variety of commercial and design-related functions and are all located within the Province of Florence. Outside of Italy, in the United States and Korea, we own certain commercial buildings which we use for warehousing and other commercial purposes. Additional properties in the U.S. are leased or subleased. See "Our Business—Rental of investment properties."

As at the date of this Offering Circular, nearly all of the properties that we use for operating stores and showrooms are leased. We record commitments associated with our operating leases on our statement of financial position based on the minimum payment that is required under the terms of the relevant lease. Within Italy, a number of properties are leased from related parties. We believe that these leases are on terms which are as favorable to our Group as those prevailing in the relevant markets. The aggregate commitments under leases with related parties totaled €10.3 million for the year ended December 31, 2010, of which the vast majority are leases with six years duration, renewable for another six years. See "Related Party and Certain Other Transactions—Certain real estate lease agreements." With regards to leases with third parties, we recorded €115.7 million in aggregate commitments for the year ended December 31, 2010.

Insurance

We maintain insurance to cover risks associated with the ordinary operation of our business, including general liability, property coverage and workers' compensation insurance. We insure our headquarters, distribution centers and stores against such hazards as fire, explosion, theft, flood, mischief and accidents. All of our policies are underwritten with reputable insurance providers, and we conduct periodic reviews of our insurance coverage, both in terms of coverage limits and deductibles. We believe that our insurance coverage is sufficient for the risks associated with our operations.

Litigation and Other Proceedings

We are party to civil and administrative proceedings (including tax audits) and to legal actions in the normal course of our business. On the basis of information currently available, we believe that the provisions recorded in our statement of financial position in respect of these proceedings, litigation or disputes, known or outstanding at year-end, are sufficient and we do not believe that we are engaged in any litigation or proceedings which, if decided adversely, would have a material adverse effect on our Group taken as a whole or on our financial position. See "Risk Factors—We have been, and may continue to be, involved in ongoing tax audits and related proceedings involving our Group companies."

Our subsidiary Ferragamo International B.V. ("**FIBV**"), which was merged into Salvatore Ferragamo S.p.A. in the fourth quarter of 2010, was subject to tax audits by the Italian tax authorities. While we believe that our position was compliant with applicable laws, we made the decision to settle this dispute in October 2009 to avoid the lengthy distraction of a trial. We agreed to pay €53.6 million to settle the tax audit and associated proceedings, €11.3 million of which was paid in February 2011. The settlement agreement does not include the fiscal years 2008 to 2010, which are still subject to further inquiry; however, we do not believe that these on-going inquiries will result in material liabilities. Additionally, in March 2011, tax authorities recognized a tax credit of approximately €5.6 million stemming from taxes paid in the Netherlands by FIBV and this reimbursement occurred on June 21, 2011.

We are subject to an ongoing tax audit by the Italian tax authorities which, as at March 31, 2011, includes: (i) general tax audit for the tax periods 2006 and 2008 (this portion of the audit was subsequently resolved and we paid €35,792); (ii) tax audit for 2007 and 2009 solely with regard to the proper application of withholding on certain services and (iii) tax audit for 2007, 2009 and 2010 (up to October 6, 2010) with regard to relations among the Company, Ferragamo Hong Kong and other Group companies operating in Southeast Asia. As at the date of this Offering Circular, we do not have sufficient information to quantify the amount of any potential liabilities related to these audits and we do not know when such audits will be concluded.

In December 2010, the French tax authorities notified our subsidiary Ferragamo France SAS of a request for payment for €2 million in relation to transfer pricing activities carried out during the period 2000–2005. Ferragamo France SAS responded stating that the request should be cancelled on the basis that the French authorities had not applied the correct methodology. On May 13, 2011, Ferragamo France SAS made an alternative proposal to the French authorities to which no response has yet been provided. We do not have sufficient information to quantify the outcome of these proceedings.

On November 30, 2009, the U.S. tax authorities opened a tax investigation in relation to the tax years 2006, 2007 and 2008, also in relation to transfer pricing. The authorities approved the proposal of Ferragamo USA Inc. to derecognize $1 million of tax losses, which proposal was formally approved on May 11, 2011. The adjustment will have a negative impact of approximately $400,000 on the results of operations of Ferragamo USA Inc. for the year ended December 31, 2011.

In February 2011, the Chinese customs authorities opened an investigation into Ferragamo Fashion Trading (Shanghai) Co. Ltd. in respect of the financial years 2008 and 2009. We do not have sufficient information to quantify the amount of any potential liabilities related to this investigation and we do not know when this investigation will be concluded.

In June 2011, the U.S. tax authorities have begun a tax investigation in relation to the financial years 2008 to 2011 regarding S-Fer International Inc. and the payment of sales tax in New York. We do not have sufficient information to quantify the amount of any potential liabilities related to this investigation and we do not know when this investigation will be concluded.

We recognize provisions for litigation and other proceedings when there is a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefit will be required to settle the obligation, and where the amount of the obligation can be reliably estimated. As at December 31, 2010, the Group had provisions for pending litigation equal to €3.3 million.

Environmental Matters

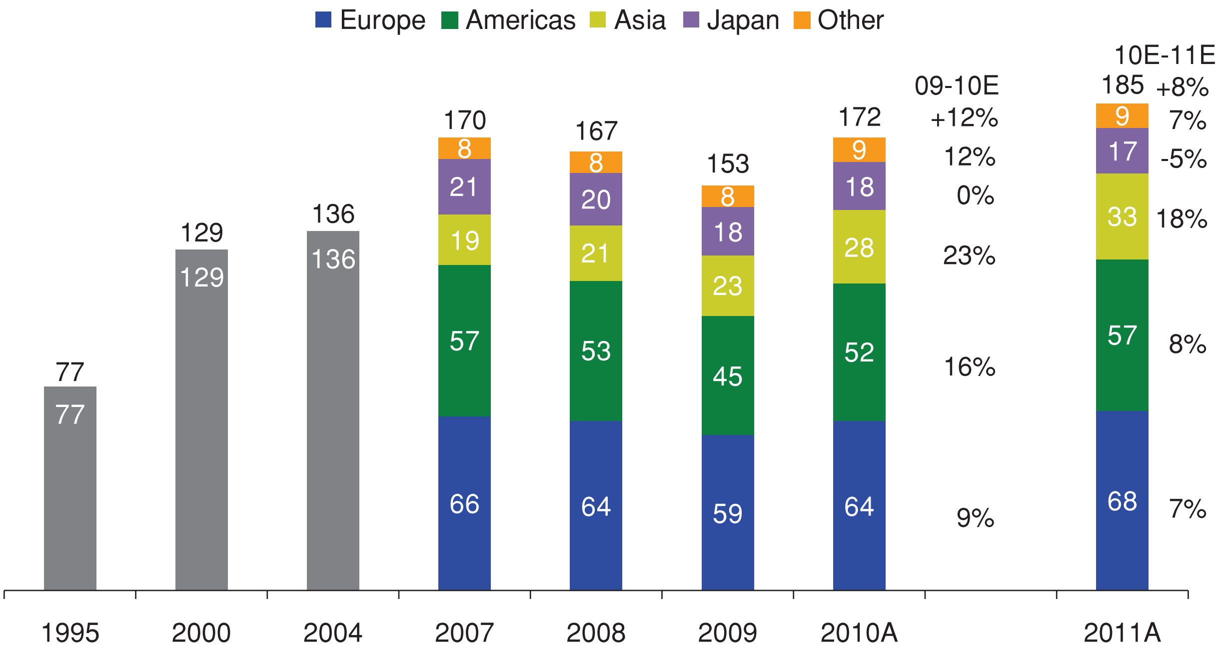
Our facilities and operations are subject to environmental and occupational health and safety laws and regulations in each of the jurisdictions in which we operate. These laws govern, among other things: discharges of pollutants into the air, water and land; the use, storage and disposal of hazardous substances and wastes; and the cleanup of contaminated properties.

Violations of environmental laws and permits can result in significant fines or civil or criminal sanctions. In addition, the discovery of significant contamination at our facilities could require us to incur cleanup costs. Finally, environmental permits required for some of our operations may be reviewed, modified or revoked by the issuing authorities. We believe that we are in material compliance with environmental laws and permits applicable to our business. However, from time to time, we incur costs to maintain or achieve compliance with such requirements. Our past environmental and occupational health and safety costs have not significantly affected our operations, and such costs going forward are not expected to be material.

Principal Markets and Competition

To inform our strategic decisions, we use market research and analysis of the luxury market published by the Altagamma association. The most recent Altagamma survey (published in October 2010) indicated that the luxury market recorded a growth rate of 12% in 2010 compared to an 8% contraction in 2009, largely due to improved market conditions following recovery from the global financial crisis. However, growth rates differ by geographic area. The chart below shows the historical changes of the world's luxury market, at retail values, by geographic area between 1995 and 2009, as well as growth projections for the years 2010 and 2011.

Changes in the luxury market by geographic area (EUR billion)



Source: Altagamma World Luxury Markets Monitor, Spring 2011 update, May 3, 2011; Worldwide Luxury Markets Monitor, October 18, 2010; Worldwide Luxury Markets Monitor, October 19, 2009; and Worldwide Luxury Markets Monitor, October 21, 2008 (www.altagamma.it)

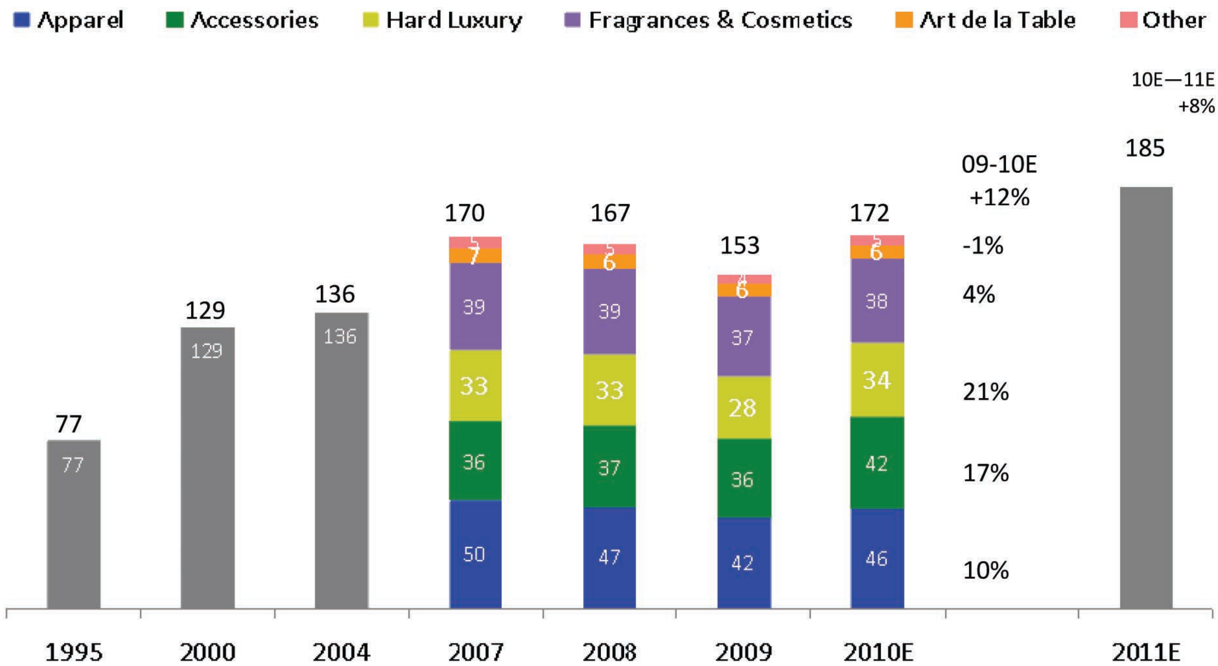
The worldwide luxury market can be divided into five areas: Europe, the Americas, Japan, Asia-Pacific and the Rest of the World (which mainly includes the Middle East and Africa). Altagamma estimates that Europe, the top market worldwide by value of luxury goods sold, recorded 9% growth in 2010 over the previous year, mainly driven by an increase in the flow of tourists from Asia-Pacific, China in particular, as well as by increased consumption in Russia and Eastern Europe. Altagamma estimates that the Americas luxury market, including North and South America, grew by 12% between 2009 and 2010, significantly recovering from the decrease recorded in the previous year (−14%), largely caused by the global financial crisis. The luxury sector in Japan has remained substantially stable in the 2009 to 2010 period when considered at the current exchange rate, but Japan recorded a −10% growth rate at constant exchange rates. Asia-Pacific, where we have been present for years and which constitutes our principal target market, recorded the highest growth rates, a 23% increase from 2009 to 2010.

The following table shows our revenue for the periods indicated by geographic area.

	Year ended December 31,						Three months ended March 31,			
	2008	% of total revenue	2009	% of total revenue	2010	% of total revenue	2010	% of total revenue	2011	% of total revenue
	(€ in millions, except percentages)									
Revenue by Geographic Area										
Europe	178.5	25.8%	150.9	24.3%	182.3	23.3%	41.8	25.4%	54.6	26.0%
North America	159.6	23.1%	136.1	22.0%	174.0	22.3%	35.7	21.6%	44.9	21.3%
Japan	124.4	18.0%	111.0	17.9%	126.8	16.2%	27.4	16.6%	27.6	13.1%
Asia-Pacific	202.0	29.2%	193.9	31.3%	267.9	34.3%	54.4	33.0%	75.8	36.0%
Central and South America	26.3	3.8%	27.7	4.5%	30.6	3.9%	5.6	3.2%	7.5	3.6%
Total	**690.8**	**100.0%**	**619.6**	**100.0%**	**781.6**	**100.0%**	**164.9**	**100.0%**	**210.4**	**100.0%**

The chart below illustrates the relative impact of the various categories of merchandise within the luxury market between 1995 and 2009, as well as growth forecasts for 2010 and 2011.

Changes in the luxury market by product category (EUR billion)



Source: Altagamma World Luxury Markets Monitor, Spring 2011 update, May 3, 2011; Worldwide Luxury Markets Monitor, October 19, 2009; and Worldwide Luxury Markets Monitor, October 21, 2008 (www.altagamma.it)

Altagamma forecasts that the accessories segment with the highest growth rate (20% in 2010) will be the leather segment (including footwear and leather goods). As this is one of our strongest product lines, we believe that we are well positioned to benefit from this anticipated growth, principally due to Asian demand, where consumers are very focused on leather goods. Likewise, even in the mature markets of Europe, the U.S. and Japan, the leather segment is forecasted to record above-average growth. In addition, apparel, although not included in the merchandise categories with the highest growth rates (10% expected for 2010 as compared to 2009), includes some attractive merchandise subcategories, such as menswear.

The following table shows our revenue for the periods indicated by product category.

	Year ended December 31,						Three months ended March 31,			
	2008	% of total revenue	2009	% of total revenue	2010	% of total revenue	2010	% of total revenue	2011	% of total revenue
	(€ in millions, except percentages)									
Revenue by Product Category										
Footwear	252.4	36.5%	240.5	38.8%	319.0	40.8%	64.2	38.9%	87.9	41.8%
Leather goods	222.7	32.2%	195.8	31.6%	243.7	31.2%	52.1	31.6%	64.4	30.6%
Apparel	83.5	12.1%	76.6	12.4%	90.1	11.5%	19.7	11.9%	23.3	11.1%
Accessories	68.1	9.9%	57.5	9.3%	67.4	8.6%	14.2	8.6%	16.5	7.9%
Fragrances	46.0	6.6%	35.1	5.7%	46.4	5.9%	10.9	6.6%	14.8	7.0%
Licenses and services	11.2	1.6%	6.5	1.1%	6.9	0.9%	1.7	1.0%	1.7	0.8%
Rental of investment properties	6.9	1.0%	7.6	1.2%	8.1	1.0%	2.1	1.3%	1.8	0.9%
Total	**690.8**	**100.0%**	**619.6**	**100.0%**	**781.6**	**100.0%**	**164.9**	**100.0%**	**210.4**	**100.0%**

Within the luxury sector, we consider our key competitors to be: Hermès, Chanel, Gucci, Louis Vuitton, Prada, Bottega Veneta, Burberry, Ermenegildo Zegna and Tod's. We do not compete in all segments with these companies, but in terms of brand positioning, price, scope of markets served and product range, we consider them to be our competitors of reference. All of these brands have historically recorded growth rates higher than the Altagamma average. For example, the average growth rate of LVMH Fashion and Leather Goods, Burberry, Tod's, Gucci and Bottega Veneta was 19% in 2010 from 2009, while the Altagamma average for the luxury market was 12% (Prada and Chanel are not included in the average because annual growth rates for the 12 months ended in December are not available).

Market Research

Demand for Luxury Goods

Prestige and quality are the common factors and distinctive elements for both the demand and supply of luxury products.

Demand for luxury goods is mainly characterized by:

- low price elasticity; and
- a low level of substitutability with non-luxury products, even if similar on a functional level.

A luxury product typically sends a message of exclusivity, which is the result of the prestige of its brand, the high quality of its craftsmanship and the selective locations where it is sold. The luxury market can be divided into the following categories: (i) apparel; (ii) footwear; (iii) leather goods; (iv) eyewear; (v) fragrances; (vi) jewelry; (vii) silk; (viii) watches and (ix) other, including mainly table objects (also called "*art de la table*"), pens, lighters, cosmetics and lingerie. In recent years, luxury market dynamics have undergone substantial changes. Historically, luxury products were restricted to a privileged elite, but today numerous factors have made luxury products accessible to a larger number of consumers. Concurrently, the motivations that drive customers to purchase luxury products have undergone significant changes and present differing characteristics depending on the markets and the consumers. In general, there are two main motivators that appear to drive the purchase of luxury goods:

- the product signals its owner's wealth; and/or
- the product increases its owner's personal gratification due to its aesthetic, qualitative and functional value (or perception of value).

Given the above, brands with a wide and diverse product range can cater to both purchasing motivations. As a result of the interplay between intangible elements that characterize a luxury product and the emotional response they generate in consumers, price is an increasingly less influential factor in the decision making process of a purchase. Demand in the luxury sector worldwide depends mainly on certain drivers of a socio-macroeconomic nature, such as:

- increase of wealth in major markets;
- increase in the number of individuals with significant financial resources (the "**High Net Worth Individuals**" or **"HNWI"**); and

• increase of tourist flow among countries.

As an indication of wealth, the table below shows growth rates and estimates of gross domestic product (“**GDP**”) in certain key geographic areas for the years indicated.

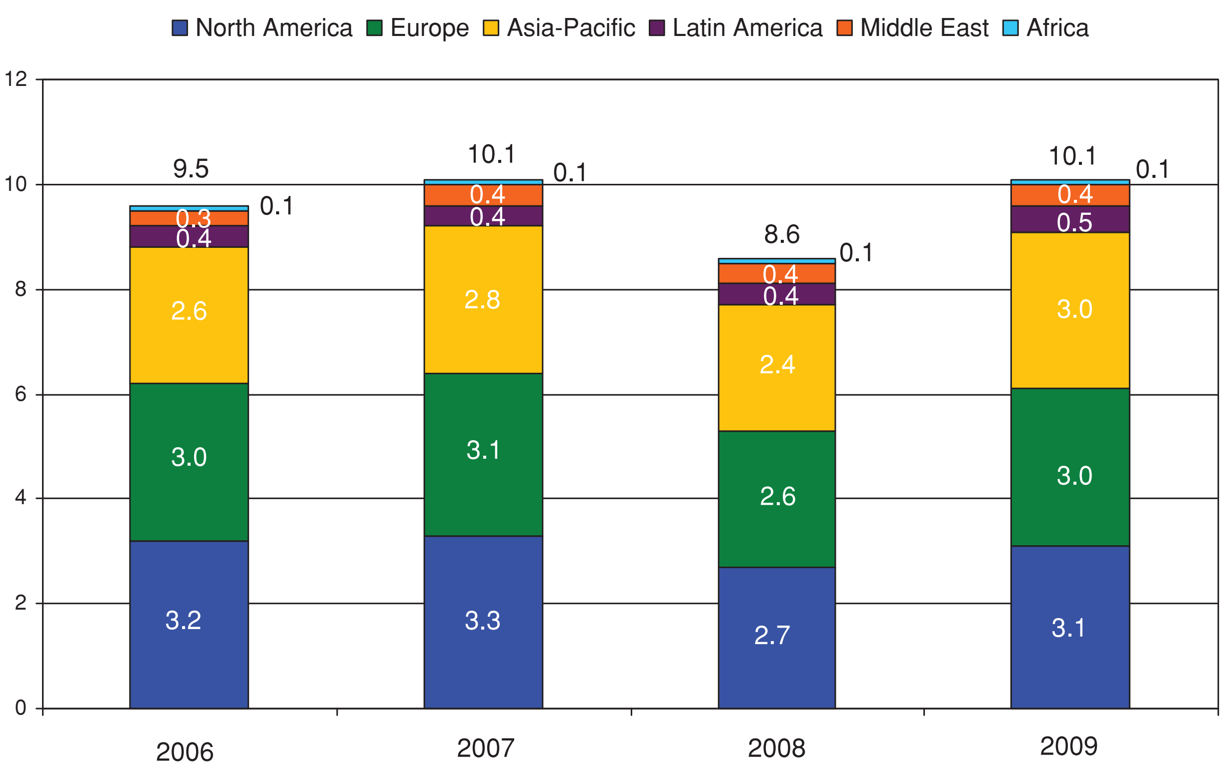
	Year ended December 31,					
	2008	2009	2010	2011E	2012E	2013E
	(in % of GDP)					
Italy	(1.32%)	(5.06%)	1.02%	0.78%	1.09%	1.22%
France	0.09%	(2.55%)	1.46%	1.48%	1.79%	2.01%
Germany	0.70%	(4.67%)	3.49%	2.70%	2.03%	1.75%
Spain	0.86%	(3.72%)	(0.14%)	0.33%	0.90%	1.30%
United Kingdom	(0.07%)	(4.87%)	1.41%	1.59%	2.23%	2.54%
Europe	0.53%	(4.10%)	1.98%	1.99%	2.03%	2.21%
China	9.60%	9.13%	10.33%	9.47%	8.61%	8.88%
Japan[(1)]	(1.17%)	(6.30%)	3.98%	1.23%	1.75%	1.96%
U.S.	(0.00%)	(2.63%)	2.86%	3.23%	2.88%	3.05%

Source: Global Insight (March 2011)

(1) The figures presented herein relating to Japan were compiled before the March 2011 earthquake and resulting tsunami and related nuclear power plant crisis. See “Rick Factors—The earthquake, resulting tsunami and nuclear power plant crisis that struck Japan in March 2011 could, both in the short- and medium-term, affect our results of operations.”

The chart below summarizes the geographic distribution and numeric growth of HNWI between 2006 and 2009.

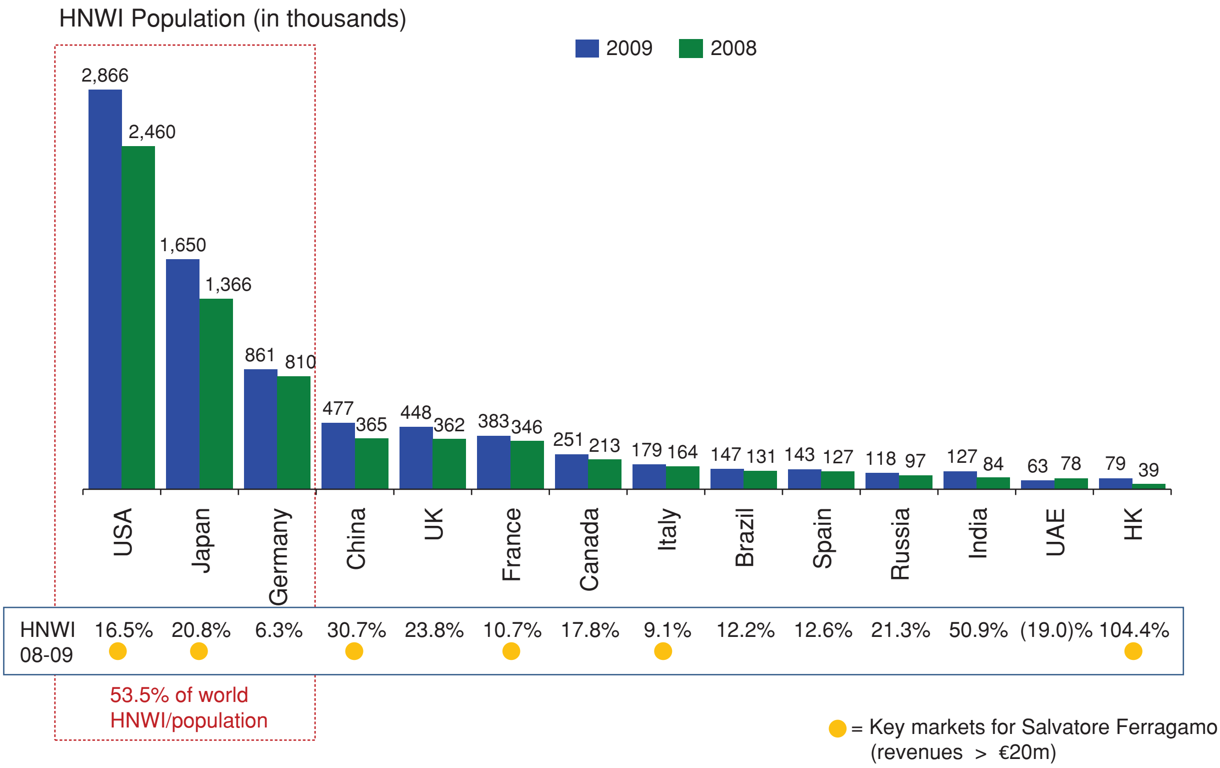
Geographic distribution and numerical growth of “High Net Worth Individuals” between 2006 and 2009



Source: Capgemini—Merrill Lynch, World Wealth Report 2010

The graphic below presents the distribution and growth of HNWI by country between 2008 and 2009 as well as illustrating the key markets for the Group.

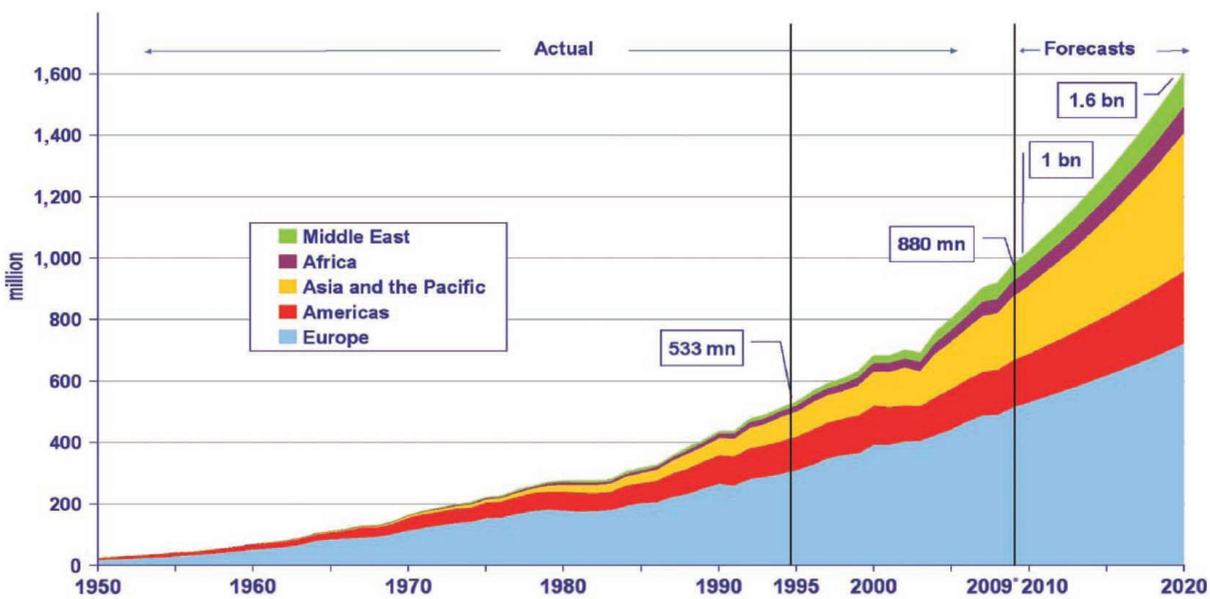
Distribution and Growth of High Net Worth Individuals (HNWI) by Country (2008-2009)



Source: Capgemini—Merrill Lynch, World Wealth Report 2010

The table below presents figures issued by the World Tourism Organization on the growth of international tourism for the periods indicated in terms of numbers of tourists outside their country of residence for a period of no more than 12 months.

International arrivals of tourists by region (in millions)



Source: World Tourism Organization (UNWTO), UNWTO Tourism Highlights, September 27, 2010

Supply of Luxury Goods

The supply-side of luxury products is generally distinguished by:

- highly selective criteria for distribution networks;
- high levels of investment in communications and careful management of image; and
- strict quality control policies.

The supply of luxury products is fragmented and heterogeneous, with different operators in terms of size, geographic presence, product range and brand positioning. Nevertheless, one can divide the supply of luxury products according to:

- *Distribution networks:* (i) well-established global players, mostly with origins in France, Italy and the U.S. with a diversified product offering and strong brand; and (ii) smaller operators focused on specific niches and/or with a limited geographic presence;
- *Brand positioning:* (i) "absolute luxury," strongly and historically characterized in terms of uniqueness and exclusivity; (ii) "aspirational luxury" which, through its brand recognition, satisfies the growing desire for belonging and social status and (iii) "accessible luxury," characterized by a price which is lower on average, but still distinguished by a perception similar to that of the luxury products in the absolute and aspirational segments; and
- *Emphasis:* (i) brands that stress their quality and product range; (ii) brands that stress responsiveness to fashion trends and (iii) brands with a mixed emphasis, balancing quality and responsiveness to fashion trends.

MANAGEMENT

The following is a summary of certain information concerning our management, certain provisions of our bylaws (statuto) and Italian law regarding corporate governance. This summary is qualified in its entirety by reference to our bylaws and/or Italian law, as the case may be, and it does not purport to be complete.

We are managed by a board of directors (*Consiglio di Amministrazione*) which, within the limits prescribed by Italian law, has the power to delegate its general authority to an executive committee and/or one or more executive officers. The board of directors determines the powers of the chief executive officer. In addition, the Italian Civil Code requires us to have a board of statutory auditors (*Collegio Sindacale*), which functions as a supervisory body.

Board of Directors

Our board of directors as at the date of this Offering Circular is composed of 10 members. The current members of our board of directors were appointed on April 29, 2010, with the exception of Mr. Peter K. C. Woo, who was appointed on February 25, 2011, effective as at March 2, 2011. The current members of the board of directors will hold office until the date of the ordinary shareholders' meeting to approve the financial statements as at and for the year ended December 31, 2011. The following table sets forth the current members of our board of directors as at the date of this Offering Circular.

Name	Title	Age
Wanda Miletti Ferragamo(1)	Honorary Chairwoman of the board of directors	89
Ferruccio Ferragamo	Chairman	65
Michele Norsa	Chief Executive Officer	62
Giovanna Ferragamo	Vice Chairwoman	68
Fulvia Ferragamo	Director	60
Leonardo Ferragamo	Director	57
Massimo Ferragamo(1)	Director	53
Francesco Caretti	Director	66
Diego Paternò Castello di San Giuliano	Director	40
Peter K. C. Woo	Director	64

(1) Resigned from the board of directors on March 30, 2011, effective as at the Listing Date.

At the meeting of our ordinary shareholders on March 30, 2011, taking into account the resignation of two directors, the shareholders resolved that the board of directors should be composed of 11 members of which 10 were appointed, including 2 directors meeting the applicable requirements of director independence under the Unified Financial Act and the Italian self-regulatory code (*Codice di Autodisciplina*, the "**Self-Regulatory Code**"), effective as at the Listing Date. At a subsequent meeting of our ordinary shareholders on April 28, 2011, an additional director was appointed, who meets the applicable requirements of director independence under the Unified Financial Act and the Self-Regulatory Code. As a result, our board of directors as at the Listing Date will be composed of the following 11 members holding office until the date of the ordinary shareholders' meeting to approve our financial statements as at December 31, 2011:

Name	Title	Age
Ferruccio Ferragamo	Chairman and Executive Director	65
Michele Norsa	Executive Director and Chief Executive Officer	62
Giovanna Ferragamo	Vice Chairwoman and Director	68
Fulvia Ferragamo	Director	60
Leonardo Ferragamo	Director	57
Francesco Caretti	Director	66
Diego Paternò Castello di San Giuliano	Director	40
Peter K. C. Woo	Director	64
Umberto Tombari(1)	Independent Director	44
Marzio Saà(1)	Independent Director	70
Piero Antinori(1)	Independent Director	72

(1) Independent director pursuant to Article 148, Section 3 of the Unified Financial Act and Article 3 of the Self-Regulatory Code.

The business address of each member of the board of directors is Via de' Tornabuoni 2, 50123 Florence, Italy.

Set out below are brief biographies of the members of our board of directors.

Wanda Miletti Ferragamo. Wanda Miletti Ferragamo has served as Honorary Chairwoman of the board of directors since 2006. She resigned on March 30, 2011 effective as of the Listing Date. Mrs. Ferragamo has led the Group since 1960, when she was appointed Chairwoman upon the death of her husband Salvatore Ferragamo, founder of our Company. Mrs. Ferragamo received an arts degree, *honoris causa,* from the City University of New York, a degree in economics, *honoris causa,* from New York University and a degree in fine arts, *honoris causa,* from the Fashion Institute of Technology in New York. She has received many prestigious awards for her work including: "International Woman of the Year"; Knight of the Order of Labor Merit of the Italian Republic; the New York "Fashion Group Award"; the San Francisco "Mary Ann Magnin Award"; Officer of the British Empire; "2003 Entrepreneurial Champion"; the Sir Harold Acton Award for the friendship between Italy and the U.S.; and Knight Grand Cross of the Order of Merit of the Italian Republic.

Ferruccio Ferragamo. Ferruccio Ferragamo has served as Chairman of the Group since 2006. His professional experience with the Group began in 1963, when he began working in production and shop management. He later assumed various roles in the Company's finance and administration departments and became general manager in 1970. From 1984 to 2006 he served as Chief Executive Officer of the Group and since 1996 he has served as Chief Executive Officer of Ferragamo Finanziaria, the Selling Shareholder. Currently, he is also the Chairman of Ent-Art Polimoda, Vice Chairman of Confindustria Firenze, director of Pitti Immagine and Centro Moda and Chairman of the Committee for the "Formazione di Intesa Interassociativa," an umbrella group for various Italian fashion-related trade associations. Additionally, Mr. Ferragamo has served as member of the board of directors of Fondiaria Assicurazioni S.p.A., Marzotto S.p.A. and Cassa di Risparmio di Firenze. He has received many awards and acknowledgments for work carried out while leading the Group, such as the MF Fashion Award in 1999, Businessman of the Year in 2004 and the Art and Technology Award in 2006. As at the date of this Offering Circular, Mr. Ferragamo is an honorary attendee of the Council Meetings of Confindustria, the Italian companies' federation.

Michele Norsa. Michele Norsa serves as our executive director and Chief Executive Officer. Mr. Norsa received a degree in business and economics from the Catholic University of Milan in 1971. From 1976 to 1985, he served as general director and managing director of Editorial Abril for the Rizzoli Group in New York, Geneva and Buenos Aires and subsequently served as the Group Book Area Director of the Rizzoli Group and as Chairman of Sansoni. From 1973 to 1976 he was head of the General Management Development Project of Arnoldo Mondadori Editore and from 1985 to 1993 he served as managing director of Sandys (Sergio Tacchini). Within the Benetton Sportsystem Group, he served as managing director of Benetton Sportsystem Active from 1994 to 1997 and later as Chairman of Killer Loop. In 1997, Mr. Norsa joined Marzotto S.p.A. where he served as general director of that company's apparel division as well as serving as Chairman of Marzotto USA and Marzotto France. Prior to joining the Group, Mr. Norsa served as Chief Executive Officer of the Valentino Group from 2002, and subsequently as general director of Valentino Fashion Group S.p.A.

Giovanna Ferragamo. Giovanna Ferragamo is the second eldest of Salvatore Ferragamo's six children and, as at the date of this Offering Circular, she serves as Vice Chairwoman and director of the Company and of other companies of the Group. She began her career in the Group when she created the first women's prêt-à-porter collection, which debuted in 1967 at the White Hall of Palazzo Pitti in Florence. Ms. Ferragamo is currently the Vice Chairwoman of the National Chamber for Italian Fashion and a member of the governing council of Banca d'Italia, Florence Branch.

Fulvia Ferragamo. Fulvia Ferragamo currently serves on our board of directors and additionally as Vice Chairwoman of Ferragamo Finanziaria, the Selling Shareholder. Ms. Ferragamo served as Vice Chairwoman of the Company until 2009. In 1970, after receiving a degree in classical studies, she joined the Company and created the silk accessories department for men and women, of which she still supervises and coordinates creative and stylistic elements on a consulting basis. She is currently the Vice Chairwoman of Orientera S.r.l., a director of Palazzo Feroni Finanziaria S.p.A. and of Sofer S.p.A. Ms. Ferragamo is also involved in several cultural and humanitarian organizations in Europe and further afield.

Leonardo Ferragamo. Leonardo Ferragamo has served on our board of directors since 1995. He began his career in the Company in 1973. Mr. Ferragamo initially managed the leather goods division and then the men's shoes and clothing collections from 1975 to 1987. From the late 1980s until 2000, he served as general manager of the Europe/Asia Division and supervised the marketing development of the Group's operations with respect to: Asia-Pacific (retail and wholesale), Europe (wholesale) and trade relations in Latin America. Since 2000, Mr. Ferragamo has served as the Chief Executive Officer of Palazzo Feroni Finanziaria S.p.A., where he manages diversified investments and provides advice on investment strategy.

Massimo Ferragamo. Massimo Ferragamo has served on our board of directors since 1995. He resigned on March 30, 2011 effective as of the Listing Date. Upon graduation, Mr. Ferragamo completed the training program at Saks Fifth Avenue and from 1985 he assumed leadership of Ferragamo USA, first as President and after 2000, as Chairman. In those capacities, Mr. Ferragamo contributed to the consolidation of the Group's distribution network in the United States. For the Group's activities in the United States, he was honored by the National Italian American Foundation in 1999. He also serves as director of Ferragamo Finanziaria, the Selling Shareholder, and as Vice Chairman and director of Palazzo Feroni Finanziaria S.p.A. and Lungarno Alberghi S.r.l. Mr. Ferragamo has served as a director of Yum!Brands, a company listed on the New York Stock Exchange, since 1997. Furthermore, he is a director of the American Italian Cancer Foundation, the Foundation of Italian Art and Culture and Chairman of the Castiglion del Bosco S.p.A. Group.

Francesco Caretti. Francesco Caretti currently serves on our board of directors. Mr. Caretti received a degree in economics and business from the Catholic University of Milan and attended postgraduate courses in corporate finance at the Harvard Business School. He has served as director for many listed companies, such as Marzotto S.p.A., Jolly Hotels S.p.A. and Zignago S.p.A.. Mr. Caretti began his career as a controller at the cotton mill Vittorio Olcese (then called SNIA-BPD Group) in 1968. From 1971 to 1986 he worked at Caboto S.p.A., which was then an independent bank, of which he became Chief Executive Officer and general manager in 1981. From 1977 to 1984 he was the Chairman of the Italian Association of Financial Analysts (AIAF) and from 1986 to 1992 he served as Chief Executive Officer and general manager of La Centrale Finanziaria, the merchant bank of Banco Ambrosiano Veneto. In 1992, he founded Caretti & Associati S.p.A., a financial advisory company based in Milan, of which he is currently the Chairman.

Diego Paternò Castello di San Giuliano. Diego Paternò Castello di San Giuliano has served on our board of directors since 2006. He received a degree in economics and business administration from Bocconi University of Milan in 1996. From 2000 to 2005, he was responsible for our women's shoes product development and worked as an assistant to the Chief Executive Officer in 2005. From 1996 to 1997, Mr. Paternò Castello di San Giuliano worked as an analyst in the investment banking department of Lehman Brothers, first in Milan and then in London. In 1998, he was employed as a management consultant with Bain, Cuneo & Associati, where he advised on two Fiat Auto management control projects in Turin. In 1999, he was among the founding shareholders of the start-up Yoox S.p.A., an e-commerce company engaged in the sale of apparel and accessories that has since gone public on the MTA. Since 2006, he has served as the Chief Executive Officer of Sigma Gi S.p.A., an electronic wholesale and retail seller of apparel and accessories. In addition, Mr. Paternò Castello di San Giuliano was appointed Chairman of Sigma Online S.r.l. in 2010.

Peter K. C. Woo. Peter K. C. Woo has served on our board of directors since March 2011. Mr. Woo received various degrees, *honoris causa,* from different universities in Australia, Hong Kong and the United States. He is the majority shareholder of the Hong Kong-listed groups Wheelock and Company Limited and Wharf Holdings Limited, active in the real estate, hotel, telecommunications and port sectors. Through his control of the Lane Crawford Group, his business interests extend to the distribution of luxury goods and products. Mr. Woo has also served as a Vice Chairman to the Prince of Wales Business Leaders organization and as a member of the International Advisory Council of J.P. Morgan Chase & Co., National Westminster Bank, Banca Nazionale del Lavoro, Elf Aquitaine of France and General Electric. Mr. Woo has served as Chairman of the Hong Kong Trade Development Council since October 2000 and he also served as the Chairman of the Hong Kong Hospital Authority from 1995 to 2000 and Council Chairman of Hong Kong Polytechnic University from 1993 to 1997. He is a member of the Standing Committee of the Eleventh National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. Mr. Woo received the Gold Bauhinia Star in 1998 from the government of Hong Kong Special Administrative Region and was appointed an unofficial member of the Commission on Strategic Development in 2007 by the government of Hong Kong. In addition, Mr. Woo served as Chairman of the

Hong Kong Environment and Conservation Fund Committee in 1994, which he co-founded with the Hong Kong government.

Umberto Tombari. Umberto Tombari will begin serving on our board of directors as an independent director effective as of the Listing Date until the date of the ordinary shareholders' meeting to approve the financial statements as at December 31, 2011. A lawyer by profession, Mr. Tombari is admitted to practice before the Court of Cassation, Italy's highest court. Mr. Tombari is a full professor of commercial law since 2000 and currently teaches commercial law, banking and financial markets at the University of Florence. He has conducted research and collaborated with various international universities and has written numerous essays and articles on corporate law. He is also a director of the Cesifin Alberto Predieri Foundation (center for the study of financial institutions) and has served on a committee on the reform of corporate law formed by the Ministry of Justice. Mr. Tombari is the head of a law firm specializing in corporate and commercial matters. He is also the Chairman of the board of directors of Firenze Mobilità S.p.A., Vice Chairman of Casa Editrice Bulgarini S.p.A., member of the board of directors of Cassa di Risparmio Piceno S.p.A., Centro Leasing Banca S.p.A. and Immobiliare Novoli S.p.A., as well as member of the Steering Committee of Ente Cassa di Risparmio Firenze. Since 2009, he has served on the board of directors of the Chamber for Commerce, Industry, Craft and Agriculture in Florence.

Marzio Saà. Marzio Saà will begin serving on our board of directors as an independent director effective as of the Listing Date until the date of the ordinary shareholders' meeting to approve the financial statements as at December 31, 2011. He is a chartered accountant and auditor. Mr. Saà graduated with a degree in business and economics from the University of Turin and subsequently received a masters degree in business administration from the University of Denver and attended the Advanced Management Program at the Harvard Business School. Mr. Saà has taught accounting and financial reporting at Bocconi University in Milan since 2002. In 1964, he joined the Milan office of the accounting firm Arthur Andersen where, after a period working in the New Jersey office, he led the Milan office and subsequently all Arthur Andersen operations in Greece and Italy. He also served as member of the Arthur Andersen Steering Committee for Europe, and, from 1991 to 1997, he was a member of the board of directors of Arthur Andersen Worldwide. After retiring from Arthur Andersen in December 2001, Mr. Saà has served as director of various listed and privately-held companies. In particular, he serves as director of Juventus Football Club, SIT la Precisa, Cofiber and Erfin and is a member of the advisory board of ING Direct Italia. From 1994 to 1998, he was the Vice Chairman of the American Chamber of Commerce in Italy.

Piero Antinori. Piero Antinori will begin serving on our board of directors as an independent director effective as of the Listing Date until the date of the ordinary shareholders' meeting to approve the financial statements as at December 31, 2011. He holds a degree in business and economics and has been knighted for services to industry (*Cavaliere del Lavoro*). His professional career began in his family business Marchesi Antinori S.r.l., where he has been serving as Chairman since 1988. Mr. Antinori has served as director of several companies listed in Italy and abroad, such as Fondiaria Assicurazioni S.p.A., Eridania Beghin-Say (French company) and Aeroporto di Firenze S.p.A. He currently holds various positions in the his family's business, as well as serving as Vice Chairman of Cassa di Risparmio di Firenze S.p.A. and as a director of Agriventure S.p.A. He has also held various positions in professional associations such as Orvieto Wine Consortium, Federvini, the Spring Wine Institute of Tuscany, where he has served as Chairman, as well as the Italian Confederation of Wine and Vine and the Florence Farmers' Provincial Union, where he served as a director. He is also an ordinary member of the Italian Wine Academy and of the Georgofili Academy, as well as Chairman of the wine quality institute Istituto del Vino Italiano di Qualità—Grandi Marchi.

The following table sets forth the companies for which members of the board of directors to be appointed as at the Listing Date: (i) are currently serving or have previously served as a member on an administrative, management or supervisory body and/or (ii) have been shareholders during the past five years, along with an indication of their status or their position as at the date of this Offering Circular.

Name	Company	Office	Status of Office
Wanda Miletti Ferragamo	Palazzo Feroni Finanziaria S.p.A.; Ferragamo Finanziaria S.p.A.	Director and Chairman of the board of directors	ongoing
	Viesca Agricola S.r.l.	Sole Director	ongoing
	Novia di Wanda Miletti & C. S.a.s.	General Partner	

Name	Company	Office	Status of Office
	Effeproject S.p.A	Director and Honorary Chairwoman	ceased
Ferruccio Ferragamo	Il Borro S.r.l.; Arpa S.r.l. (no longer operating); Effeproject S.p.A.	Chairman of the board of directors	ongoing
	Arpa S.r.l. (no longer operating)	Sole Director	ceased
	Società Italiana per il Cavallo da Sella S.p.A.; Palazzo Feroni Finanziaria S.p.A.	Director	ongoing
	Pitti Immagine S.r.l.	Director and Vice Chairman of the board of directors	ongoing
	Effesette di Ferruccio Ferragamo & C. S.a.S.; Pieffe di Ferruccio Ferragamo & C. S.a.S.;	General Partner	ongoing
	Novia di Wanda Miletti & C. S.a.S.	Limited Partner	
	Terre di Firenze Societa consortile ar.l. (no longer operating); Efima S.r.l.	Director	ceased
	Poggi Pietri di Salvatore Ferragamo & C. S.a.S.	Attorney-in-fact	ongoing
	Ferragamo Finanziaria S.p.A.	CEO	ongoing
Fulvia Ferragamo	Palazzo Feroni Finanziaria S.p.A.; Sofer S.p.A.	Director	ongoing
	Finvis di Fulvia Ferragamo & C. S.a.S.; Supervis di Fulvia Ferragamo & C. S.a.S.;	General Partner	
	Novia di Wanda Miletti & C. S.a.S.; Visvimi di Giuseppe Visconti S.a.S. (no longer operating)	Limited Partner	ongoing
	Orienthera S.r.l.	Director and Chairman of the board of directors	ongoing
	Ferragamo Finanziaria S.p.A.	Director and Vice Chairman of the board of directors	ongoing
	Bacco S.r.l	Shareholder	ongoing
	Effeproject S.p.A.	Director and Vice Chairman of the board of directors	ceased
Michele Norsa	Efima S.r.l.	Director	ceased
	Valentino S.p.A.	CEO	ceased
Giovanna Ferragamo	Palazzo Feroni Finanziaria S.p.A.; Cecam Enviromental Remediation Systems S.r.l.; Camera Moda S.r.l.	Director	ongoing
	Gieffe di Giovanna Ferragamo & C. S.a.S.;	General Partner	
	Novia di Wanda Miletti & C. S.a.S.;	Limited Partner	ongoing
	Giquattro di Giovanna Ferragamo & C. S.a.S.	General Partner	
	Effeproject S.p.A.	Director	ceased
Leonardo Ferragamo	Palazzo Feroni Finanziaria S.p.A.	CEO	ongoing
	Ferragamo Finanziaria S.p.A.; Findomestic Banca S.p.A.; Le Rose S.r.l.	Director	ongoing
	Lungarno Alberghi S.r.l.; Windows on Europe S.p.A.; Zefer S.p.A.	Director and Chairman of the board of directors	ongoing
	Valim S.r.l.	Sole Director	ongoing

Name	Company	Office	Status of Office
	Nautor Holding S.r.l.	Sole Director	ongoing
	Nautor Med S.r.l	Indirect Shareholder	ongoing
	Palsa di. L. Ferragamo & C. S.a.S.;	General Partner	
	Novia di Wanda Miletti & C. S.a.S.	Limited Partner	ongoing
	Marina Management S.r.l.	Honorary Chairman	ongoing
	Valsol di Leonardo Ferragamo & C. S.a.S.	General Partner	ceased
	The Nautor Group S.p.A. (no longer operating); Nautor's Swan International S.p.A. (no longer operating)	Chairman of the board of directors	ceased
	Freccia Blu S.r.l.	Sole Shareholder	ceased
	Giotto 2003 S.r.l. (no longer operating); Effeproject S.p.A.; Windows Property Management S.r.l. (no longer operating)	Director	ceased
Massimo Ferragamo	Palazzo Feroni Finanziaria S.p.A.; Lungarno Alberghi S.r.l.	Director and Vice chairman	ongoing
	Ferragamo Finanziaria	Director	ongoing
	Castiglion del Bosco S.p.A.; Castiglion del Bosco Ville S.r.l.; Castiglion del Bosco Hotel S.r.l.	Chairman of the board of directors	ongoing
	Castiglion del Bosco Società agricola r.l.	Indirect Shareholder and Chairman of the board of directors	ongoing
	Drago Golf Club S.p.A. (no longer operating)	Sole Director and sole shareholder	ongoing
	Novia di Wanda Miletti E C. S.a.s.	Limited Partner	ongoing
	Effeproject S.p.A	Director	ceased
	Bacco S.r.l.	Shareholder	ongoing
	Rutsino S.r.l.	Indirect Shareholder	ongoing
Francesco Caretti	Caretti & Associati S.p.A.	Chairman of the board of directors and Indirect Shareholder	ongoing
	Ferragamo Finanziaria S.p.A.	Director	ongoing
	IdB Holding S.p.A.	Director	ongoing
	Efaf S.r.l	Shareholder and Chairman of the board of directors	ongoing
Diego Paternò Castello di San Giuliano	Sigma Gi. S.p.A.	Chief Executive Officer	ongoing
	Essegi S.p.A.; Sigma online S.r.l.	Chairman of the board of directors	ongoing
	Solecta di Fiamma Ferragamo, Giuseppe Paternò Castello & C. S.a.S.; Novia di Wanda Miletti & C. S.a.S.; Due Fiumi di Paternò Castello di San Giuliano Maria & C. S.a.S.	Limited Partner	ongoing
	Paterfin di Diego Paternò Castello di San Giuliano & C. S.a.S.	General Partner	ceased
	Templars'f di Federico Marchi & C. S.n.c.	General Partner	ceased
	Works S.p.A.; Effeproject S.p.A.; Generalcom S.r.l.; Castiglion del Bosco Hotel S.r.l.	Director	ceased
Peter K. C. Woo	Lane Crawford Holdings Limited	Honorary President and Indirect Shareholder	ongoing

Name	Company	Office	Status of Office
	Lane Crawford (Hong Kong) Limited	President and Indirect Shareholder	ongoing
	Majestic Honour Limited; Vanguard Cosmo Limited	Director and Indirect Shareholder	ongoing
	The Wharf (Holdings) Limited; Wheelock Properties (Singapore) Limited; Chengdu IFC Development Limited; Wharf China Development Limited; Wharf China Estates Limited; Wharf China Limited; Wharf Communications Limited; Wharf Development Limited; Wharf Estates Limited; Wharf Hong Kong Limited; Wheelock China Development Limited; Wheelock China Limited; Wheelock Properties (China) Limited; Wheelock Properties (Hong Kong) Limited; Wheelock Properties Limited	President and Indirect Shareholder	ongoing
	Tartar Investments Limited; Marco Polo Hotels Limited; Long Global Investment Limited	Director and Indirect Shareholder	ongoing
	Imaginex Overseas Ltd; Imaginex Holdings Ltd; Imaginex Management Co. Ltd; Wharf T&T Ltd; Times Square Ltd; Wharf Realty Ltd; Wheelock Travel Ltd; Imaginex Beauty Ltd; Xiamen Dongfang Hotel Co. Ltd; Imaginex (Shanghai) Commercial Co. Ltd; Shanghai Wheelock square Development Co. Ltd; Shanghai Harriman Property Management Co. Ltd; Shanghai Longxing Property Development Co. Ltd; Shanghai Times Square Property Management (Shanghai) Co. Ltd	Indirect Shareholder	ongoing
Umberto Tombari	Casa di Risparmio di Ascoli; Piceno S.p.A.; Centro Leasing S.p.A.; Immobiliare Novoli S.p.A.	Director	ongoing
	Casa Editrice Bulgarini S.p.A.;	Director and Vice Chairman of the board of directors	ongoing
	Firenze Mobilita S.p.A.	Chairman of the board of directors	ongoing
	Maggio Sette S.r.l.	Director and shareholder	ongoing
	Ente Cassa di Risparmio Firenze	Member of the Steering Committee	ongoing
	Banca di Bientina Credito Cooperativo—società cooperativa (removed from the companies' register in 2010)	Member of the supervisory board	ceased
	Targetti Sankey S.p.A.; Consulting 2 S.r.l.; Consulting 1 S.r.l.	Statutory auditor	ceased
	Protera S.r.l. (in liquidation); B&C Speakers S.p.A.	Director	ceased
Marzio Saà	ITS S.p.A.	Director and shareholder	ongoing
	Cofiber S.p.A.; Parmalat S.p.A.; Juventus F.C. S.p.A.;	Director	ongoing

Name	Company	Office	Status of Office
	ERFIN S.p.A.; SIT La Precisa S.p.A		
	ING Direct Italia	Member of the Advisory Board	
	Same Deutz—Fahr Group S.p.A.	Director	ceased
Piero Antinori	Marchesti Antinori S.r.l.;	Chairman of the board of directors	ongoing
	Palazzo Antinori S.r.l.;	Chairman and shareholder	
	P. Antinori S.p.A.;	Chairman and shareholder	
	Antinori Societa Aricola A.r.l.; Tormaresca S.a.r.l.;		
	Giuliano da Maiano S.rl.;	Chairman and shareholder	
	Istituto del vino Italiano di Qualità—Grandi Marchi S.r.l.; Tosco-fin S.r.l.	Chairman and Chief Executive Officer	
	Cassa di Risparmio di Firenze S.p.A.	Director Vice Chairman	ongoing
	Prunotto S.r.l.; Agriventure S.p.A.	Director	ongoing
	Aeroporto di Firenze S.p.A.; Scomat S.c.r.l.; Compagnia Sviluppi Agricoli S.r.l.; Tenuta di Bisernio S.a.r.l.; Campo di Sasso Distribuzioni S.r.l.	Director	ceased
	La Braccesca di Silvano Berlincioni & C. S.a.S.	Limited Partner	ongoing
	Società per la Valorizzazione dei Vini Toscani Sr.l.	Chairman	ceased
	Argenteria S.r.l.	Chairman of the board of directors	ceased
	Campo di Sasso Distribuzioni S.r.l.; Immobiliare Milanese 2006 S.r.l.; Tombolo Beach S.r.l.; Rimigliano S.r.l.; Cucina Toscana S.r.l.; Poggio Franco S.r.l.; Cogeta Placehotels Gestioni S.p.A.	Shareholder	ongoing
	Tosco-fin S.r.l.	Director and Shareholder	ongoing

Our director and Honorary Chairwoman, Wanda Miletti Ferragamo is the mother of our directors Ferruccio Ferragamo, Giovanna Ferragamo, Fulvia Ferragamo, Leonardo Ferragamo, Massimo Ferragamo and is the grandmother of Diego Paternò Castello di San Giuliano.

Ferruccio Ferragamo, Giovanna Ferragamo, Fulvia Ferragamo, Leonardo Ferragamo and Massimo Ferragamo are siblings. They are also the uncles and aunts of our director Diego Paternò Castello di San Giuliano and the children of Wanda Miletti Ferragamo.

Diego Paternò Castello di San Giuliano is the grandchild of Wanda Miletti Ferragamo, as well as the nephew of Ferruccio Ferragamo, Giovanna Ferragamo, Fulvia Ferragamo, Leonardo Ferragamo and Massimo Ferragamo.

Other than the family relations mentioned above, none of the members of our board of directors, is related to any other member of our board of directors, our board of statutory auditors or our principal executives.

To the best of our knowledge, none of the members of our board of directors has been: (i) convicted in relation to fraudulent offenses; (ii) a member of an administrative, management or supervisory body or a senior manager of a company in bankruptcy, receivership or liquidation; (iii) the subject of an official public investigation and/or sanctions by statutory or regulatory authorities or (iv) removed or disqualified by a court from an administrative, management or supervisory body of an issuer or from acting in the management of an issuer.

On April 29, 2010, our board of directors appointed Ferruccio Ferragamo as Chairman of our board of directors, Giovanna Ferragamo as Vice Chairman of our board of directors and Michele Norsa as Chief Executive Officer. All of the above have been granted the powers of ordinary administration to perform all transactions necessary, useful or in any case deemed to be appropriate for the achievement of our corporate purposes. All other powers of administration outside the normal course of business remain with the board of directors.

Powers granted to the Chairman of the board of directors

The Chairman holds the powers provided for by law and pursuant to our bylaws, namely: the operation of our corporate bodies (including meetings of shareholders and of our board of directors) the power to legally represent us as a corporate entity and the power to verify the implementation of decisions of the board of directors.

Powers conferred on the Chief Executive Officer

Pursuant to authorization granted by the board of directors on April 29, 2010, the Chief Executive Officer assumed all powers related to representing our Company and all management functions of the day-to-day administration of our Company. Among the powers granted to the Chief Executive Officer are, *inter alia*, the power to propose and prepare budgets and the authority to make strategic decisions regarding our business within the limits of the budget and of the decisions of our board of directors. The Chief Executive Officer must discuss these decisions with the Chairman of the board of directors; it being understood, however, that the Chief Executive Officer shall have the ultimate authority to make the foregoing decisions.

Powers conferred on the Vice Chairwoman of the board of directors

Pursuant to authorization granted by the board of directors on April 29, 2010 and on May 26, 2011, the Vice Chairwoman of the board of directors, Ms. Giovanna Ferragamo, assumed all powers related to representing our Company and the power, already conferred on her on March 13, 2008, to represent the Company at national and international events and before industry organizations in accordance with the agreed guidelines and in consultation with the Chairman of the board of directors and the Chief Executive Officer.

Authority reserved to the board of directors

In addition to the powers granted it by law and pursuant to our bylaws, the board of directors has within its authority certain reserved powers. These powers include, *inter alia* those related to:

- new significant investments, including opening and closing of points of sale;
- the approval of the corporate structure and any changes related to the functions and powers conferred upon the respective divisions or units thereto;
- the purchase and sale of shares, businesses and joint ventures;
- the signing, termination or renewal of licensing contracts;
- any disposal with respect to intellectual property, in particular, our brands and trademarks;
- the purchase, sale or rental of real estate;
- the entering into of leasings or financings;
- the grant of guarantee or security of any kind; and
- the appointment of representatives of the Company for the shareholders' meeting and with respect to Group companies.

Product and Brand Strategy Committee

The product and brand strategy committee is tasked with formulating policies and assisting the board of directors with regards to the creative functions of the Group, and ensuring that our products are coherent with the overall brand identity and Group strategy. Specifically, the product and brand strategy committee defines policies and/or delivers its opinions and proposals to the board regarding:

- communications and brand management policies;
- product and creative output strategies;

- collections;
- distribution channels and networks in different geographic regions; and
- human resources related to the above.

As at the date of this Offering Circular, the product and brand strategy committee comprised the following members, all nominated on April 29, 2010: Ferruccio Ferragamo (president); Michele Norsa; Fulvia Ferragamo and Leonardo Ferragamo.

Internal Audit Committee (Comitato per il Controllo Interno)

Pursuant to Article 8 of the Self-Regulatory Code, the internal audit committee has the task of assisting the board of directors to formulate, implement and monitor the internal evaluation and monitoring system. In particular, the internal audit committee will:

- assist the board of directors in defining and establishing internal audit policies, in particular:
  - defining the parameters of the internal audit system, such as identifying the principal risks affecting the Company and establishing prudent evaluation and monitoring systems;
  - selecting a Chief Audit Officer who will be responsible for the day-to-day internal audit functions of the Company;
  - evaluating, at least annually, the adequacy, efficacy and effect of the internal audit system; and
  - assessing, in relation to corporate governance, the necessary elements of the internal audit system, and proposing all necessary arrangements to ensure such system is adequate and complete;
- evaluate internal audit policies and provide recommendations to the board of directors;
- evaluate, along with management, the drafting of audit and accounting guidelines regarding accounting methodologies and their consistency in order to produce consolidated financial statements and other accounting documents for the Group, and provide related recommendations to the board of directors;
- study and analyze particular questions regarding internal audit functions as requested by the board of directors;
- examine the Company's proposals to implement the internal audit plan and provide recommendations to the board of directors;
- report to the board of directors upon the committee's activities and the adequacy of the internal audit system, at least bi-yearly upon the approval of the financial statements, and provide related recommendations;
- monitor the efficacy of the Company's accounting;
- upon request, provide its opinion to the board of directors regarding related party transactions; and
- provide recommendations to the board of directors regarding transactions with external auditors.

As of the Listing Date, the members of our internal audit committee will be: Piero Antinori, Umberto Tombari and Marzio Saà. Pursuant to the bylaws of the internal audit committee approved by the board of directors on March 30, 2011, the members of the internal audit committee shall elect the chairman of the internal audit committee from among their ranks.

Nominating Committee (Comitato per la nomina degli amministratori)

The Self-Regulatory Code recommends that members of the board of directors be appointed pursuant to a transparent process. The nominating committee will advise the board of directors on the qualifications of potential directors, including:

- providing advice as to the number and composition of the board of directors and its powers;
- evaluating the balance of qualifications and professional experience of the board of directors and drafting a description of the role and requirements of the vacancy;

- periodically examining the structure, composition and pronouncements of the board of directors and formulating recommendations for any changes;
- taking in account the board of directors' human resources policy with respect to principal executives and providing advice;
- advising the board of directors on the nomination of candidates for positions of Chairman and Vice Chairman of the board of directors; and
- advising the board of directors on the nomination of candidates for the position of Chief Financial Officer.

As of the Listing Date, the members of our nominating committee will be: Piero Antinori, Umberto Tombari and Marzio Saà. Pursuant to the bylaws of such committee approved by the board of directors on March 30, 2011, the members of the nominating committee shall elect the chairman of the nominating committee from among their ranks.

Compensation and Stock Incentive Committee (Comitato per le remunerazioni e le incentivazioni azionarie)

Compensation of directors and executives with strategic responsibilities must be set according to best practices in order to attract and retain the most qualified people to manage the Company. We aim to set director and executive compensation to incentivize the creation of value for shareholders in the medium- to long-term. For such directors and executives, a part of their compensation will be premised upon the achievement of certain economic and non-economic performance objectives set in advance and compliant with the guidelines established by the Self-Regulatory Code. Compensation for non-executive managers is commensurate to the respective level of skill and experience required; it is not expected that non-executive managers will participate in our stock option plan.

The main responsibilities of the compensation committee are to:

- present a document that establishes policies related to setting executive and other management compensation (the "**Compensation Policy**");
- periodically monitor, evaluate and update the Compensation Policy;
- present recommendations to the board of directors regarding particular performance criteria to be used to set executive and manager pay; and
- study and analyze specific and particular questions regarding compensation that the board of directors may request.

As of the Listing Date, the members of our compensation and stock incentive committee will be: Piero Antinori, Umberto Tombari and Marzio Saà. Pursuant to the bylaws of such committee approved by the board of directors on March 30, 2011, the members of the compensation and stock incentive committee shall elect the chairman of the compensation and stock incentive committee from among their ranks.

Board of Statutory Auditors

The board of statutory auditors is composed of three acting members and two substitutes, who were each appointed on April 29, 2010 at our extraordinary meeting of shareholders; the current board of statutory auditors will remain in office until the date of the ordinary meeting of shareholders convened to approve the financial statements for the fiscal year ended December 31, 2012. The following sets forth the members of our board of statutory auditors as at the date of this Offering Circular.

Name	Title	Age
Mario Alberto Galeotti Flori	Chairman of the board of statutory auditors	82
Enrico Barachini	Acting auditor	75
Daniela Moroni	Acting auditor	58
Antonella Andrei	Substitute auditor	51
Lorenzo Galeotti Flori	Substitute auditor	44

On March 30, 2011, the members above resigned from our board of statutory auditors, effective as at the Listing Date.

At the meeting of our ordinary shareholders on March 30, 2011, taking into account the resignations of the board of statutory auditors, three acting statutory auditors were appointed, effective as at the Listing

Date and holding office until the date of the ordinary shareholders' meeting to approve the financial statements as at December 31, 2013. At the subsequent meeting of our ordinary shareholders on April 28, 2011, two substitute statutory auditors were appointed, who will also hold office until the date of the ordinary shareholders' meeting to approve the financial statements as at December 31, 2013. As a result, our board of statutory auditors in place on the Listing Date will be composed of the following five members:

Name	Title	Age
Mario Alberto Galeotti Flori	Chairman of the board of statutory auditors	82
Gerolamo Giuseppe Gavazzi	Acting auditor	67
Fulvio Favini	Acting auditor	55
Deborah Sassorossi	Substitute auditor	44
Guido Alberto Gonnelli	Substitute auditor	40

Set out below are brief biographies of the members of our board of statutory auditors.

Mario Alberto Galeotti Flori. Mario Alberto Galeotti Flori serves as Chairman of our board of statutory auditors. He holds a degree in economics and is enrolled with the Order of Chartered Accountants of Florence and with the National Register of Auditors. Mr. Galeotti Flori was previously a tax law professor at the economics faculty of the University of Florence; he currently lectures on sports law and economics and is an advisor to the Ministry of Education, University and Research. He served as Chairman of the board of statutory auditors of Cassa di Risparmio di Firenze, Banca Steinhauslin and of various listed companies. Mr. Galeotti Flori is currently a statutory auditor of various companies of the Marchesi de' Frescobaldi Group and of the Corriere della Sera Group. He has served as Vice Chairman of the National Council of Chartered Accounts and as Chairman of the Board of Chartered Accountants of Florence, where he currently serves as Honorary Chairman. He has acted as judicial receiver, liquidator and trustee in bankruptcy at the Court of Florence and as a court advisor during bankruptcy criminal proceedings at the Court of Pistoia.

Enrico Barachini. Enrico Barachini will serve as acting auditor on our board of statutory auditors until the Listing Date. He received a degree in business and economics from the University of Pisa and is enrolled with the Order of Chartered Accountants and with the National Register of Auditors. From 1975 to 1991, he was a professor at the Faculty of Economics of the University of Pisa. He is a business management consultant and has served for various companies and groups. He is a Commander of the Order of Merit of the Italian Republic and Commander of the Order of San Gregorio Magno.

Daniela Moroni. Daniela Moroni will serve as acting auditor on our board of statutory auditors until the Listing Date. She received a degree in business and economics and is enrolled with the Order of Chartered Accountants and with the National Register of Auditors. Ms. Moroni currently serves as statutory auditor and as Chairwoman of the board of statutory auditors of many companies, including asset management companies. She served as an appointed director and was a member of the Council of the Order of Chartered Accountants of Florence from 2001 to 2005. She has served and currently continues to serve as judicial receiver and liquidator in various insolvency proceedings and has acted as expert witness, providing expert opinions in both civil and criminal proceedings.

Antonella Andrei. Antonella Andrei will serve as substitute auditor on our board of statutory auditors until the Listing Date. She received a degree in business and economics from the University of Florence and is enrolled with the National Register of Auditors. Furthermore, she is enrolled with the Order of Chartered Accountants and Accounting Experts of Florence.

Lorenzo Galeotti Flori. Lorenzo Galeotti Flori will serve as substitute auditor on our board of statutory auditors until the Listing Date. He received a degree in business and economics in 1994 and is enrolled with the Order of Chartered Accountants and with the National Register of Auditors. He has served as acting auditor and as member of the board of directors for various companies. He has collaborated with the law journal "Il Foro Toscano" and has published many articles on tax, corporate and bankruptcy related matters.

Gerolamo Giuseppe Gavazzi. Gerolamo Giuseppe Gavazzi will begin serving as acting auditor on our board of statutory auditors as of the Listing Date. He received a degree in business and economics in 1968 and is enrolled with the Order of Chartered Accountants of Como and with the Order of Legal Auditors. He has served as member of the board of directors or board of statutory auditors of many companies such as, *inter alia*, Falck S.p.A and Nationale Suisse Compagnia Italiana di Assicurazioni S.p.A. From 1971 to 1974 he served as member of the District Commission for Direct and Indirect Taxes of Milan and as expert witness and technical advisor at the Court of Milan and Como. From 1996 to 2000, he served as Judge of Appeals at the Tax Commission for the Lombardy Region in Milan.

Fulvio Favini. Fulvio Favini will begin serving as acting auditor on our board of statutory auditors as of the Listing Date. He is enrolled with the Order of Legal Auditors and with the Order of Chartered Accountants of Florence. In 1974, he joined Reconta Ernst & Young, in 1982 he was appointed Head of the Reconta Ernst & Young Florence Branch and became a partner of that firm in 1991. In 2009, he was appointed member of the board of directors of Reconta Ernst & Young from which he resigned in 2010. He has served in various occasions as advisor and/or expert consultant to determine corporate valuations and as head of auditing teams.

Deborah Sassorossi. Deborah Sassorossi will begin serving as substitute auditor on our board of statutory auditors as of the Listing Date. She is a Chartered Accountant enrolled with the National Register of Auditors. She is a Partner at Sassorossi, Fraschetti & Associati, Chartered Auditors in Florence, which specializes in providing advice on corporate taxation, international taxation, auditing activities, extraordinary transactions, management control, capital transactions and corporate and inheritance restructuring. She is an expert in corporate valuation and capital gains and has served as a corporate and taxation advisor for many foreign companies. She is a member of the Italian Arbitration Chamber and of the Arbitration Chamber of the Chamber of Commerce of Florence and is enrolled with the Order of technical Consultants of the Court of Florence. Ms. Sassorossi has specialized in the accounting and auditing for over ten years at the Mathematics Department for Economic, Financial, Actuarial and Social Decisions at the University of Florence and is a member of the Italian National Tax Consultants Association, the International Fiscal Association (Rotterdam), the International Tax Planning Association (London) and of the Offshore Institute (Great Britain).

Guido Alberto Gonelli. Guido Alberto Gonelli will begin serving as substitute auditor on our board of statutory auditors as of the Listing Date. He is enrolled with the Order of Chartered Accountants and of Expert Auditors of Florence and is an associate at "Studio Gonelli, Studio Professionale Associato" in Florence and serves as acting auditor at the Yacht Club Cala de' Medici. He is also enrolled with the Order of Expert Witnesses of the Court of Florence, where he also serves as official receiver.

The following table sets forth the companies for which members of the board of statutory auditors to be appointed as at the Listing Date: (i) currently or have previously served as a member on an administrative, management or supervisory body and/or (ii) have been shareholders during the past five years, along with an indication of their status or their position as at the date of this Offering Circular.

Name	Company	Office	Status of Office
Mario Alberto Galeotti Flori	Compagnia de' Frescobaldi S.p.A.; Compagnia Italiana Alberghi CIA S.p.A.; CPF Costruzioni S.p.A..; Ferragamo Finanziaria S.p.A.; Firenze Mobilità S.p.A.; Immobiliare Agricola San Gemignanello S.p.A.; Marchesi de' Frescobaldi società agricola S.r.l.; Marchi Industríale S.r.l.; Nugola S.p.A.; Palazzo Feroni Finanziaria S.p.A.; Savino Del Bene Trasporti Internazionali S.p.A.; Soc. Italo Britannica L. Manetti H. Roberts & C. S.p.A.; Targetti Sankey S.p.A.; Targhetti Poulsen Industries S.r.l.; Tenute di Castelgiocondo e Luce della Vite Società Agricola S.r.l.; Tenute di Toscana Distribuzione S.r.l.; Tenute di Toscana S.r.l.; Vigneti di Nugola Società Agricola S.r.l.	Chairman of the board of statutory auditors	ongoing
	Editoriale Fiorentina S.r.l.	Statutory Auditor	ongoing
	Fiduciaria Toscana S.p.A.	Director	ongoing

Name	Company	Office	Status of Office
Enrico Barachini	Abiogen Pharma S.p.A.	Vice Chairman	ongoing
	Avipop Assicurazioni S.p.A.; Boccadarno Porto di Pisa S.p.A.; C.D.C Point S.p.A.; Eurovita Assicurazioni S.p.A.; Polis Fondi SGR S.p.A.; Popolare Vita S.p.A.	Director	ongoing
Enrico Barachini	Avipop Vita S.p.A.; Società Gestione Crediti BP S.p.A.	Chairman of the board of directors	ongoing
	Alfea S.p.A. Soc. Pisana for horse racing;	Shareholder and Acting Auditor	ongoing
	Euro Motors Italia S.p.A. EMI; European Distribution Company S.p.A. EDC; Forti Holding S.p.A.; San Rossore Finanziaria S.r.l; Sogestim S.p.A.	Chairman of the board of statutory auditor	ongoing
	Palazzo Feroni Finanziaria S.p.A.; Ferragamo Finanziaria S.p.A.	Acting Auditor	ongoing
	Centro Ippico Razza Vallelunga S.p.A.; Acqua e Terme di Uliveto S.p.A.	Substitute Auditor	ongoing
	Deta S.p.A.	Liquidator	ceased
	Forti Holding S.p.A.	Chairman of the board of stautory auditors	ceased
	Borello S.p.A. (removed from the Companies' Register in 2008); Ducato S.p.A. (removed from the Companies' Register in 2009); Soluzio Quinto Finanziaria S.p.A.; Farmigea S.p.A.; Farmigea Holding S.r.l.	Director	ceased
	Effeproject S.p.A.	Acting Auditor	ceased
	Immobiliare nuova Liscate S.p.A. (removed from the Companies' Register in 2009); Montrasio Fruttosio S.r.l. (removed from the Companies' Register in 2007); Samantha Holding S.p.A (no longer trading).	Substitute Auditor	ceased
Gerolamo Giuseppe Gavazzi	E. Comotti S.p.A.; Fabbrica Energie Rinnovabili Alternative S.r.l.; Guy Carpenter & Company S.r.l.; Istituto di Medicina Omeopatica— I.M.O. S.p.A.; Marsh S.p.A.; Sofia Holding S.p.A.; Valdarda S.r.l.	Chairman of the board of statutory auditors	ongoing
	Falck S.p.A.; Fluiten Italia S.p.A.; Immobiliare Mearino di Guido Alberto Gonnelli & C. S.a.s.; Masidef S.r.l.; Nationale Suisse Compagnia Italiana di Assicurazioni S.p.A.; Nnck Italia S.p.A.	Statutory Auditor	ongoing
	Alca S.r.l.; Alcedo S.r.l.; Azeruolo ; Datafin S.r.l.	Sole Director	ongoing
	Averla S.p.A.; Avocetta S.p.A.; Caproncino S.r.l.	Shareholder and Sole Director	ongoing
	Saga S.p.A.	Substitute Auditor	ongoing
	Professionale Immobiliare S.p.A.	Director	ongoing
	Geikos S.p.A.; Le Quinte S.p.A.; SO.LA.VA S.p.A.; Torricella	General partner	ongoing

Name	Company	Office	Status of Office
	Immobiliare di Paolo Gavazzi e C. S.a.S.		
	Brianza Unione di Luigi Gavazzi & C. S.a.p.a.; F.D.G. S.p.A.; Istituti Clinici Zucchi S.p.A.	Shareholder	ongoing
	C.T. Crane Team S.r.l.; Masidef S.r.l.	Statutory Auditor	ceased
	Professionale Immobiliare S.p.A.	Auditor	ceased
	Ablelfaro S.r.l.; Ardetta 2 S.r.l. ; Dolphin Italy 2 S.r.l.	Liquidator	ceased
	Actea S.r.l.; Agrienergia Sicilia S.r.l. ; Aquilegia S.r.l.; Ara S.r.l.; Armillaria S.r.l.; Auricola S.r.l.; Elfi V S.r.l.; Elfi VI S.r.l.; Fotovoltaico Miggianello S.a.s. di Dean Solar Puglia 1 S.r.l.; Fotovoltaico Scorrano 1 S.a.s. di Dean Solar Puglia 1 S.r.l.; Fotovoltaico Scorrano 2 S.a.s. di Dean Solar Puglia 1 S.r.l.; Ostuni Energie Rinnovabili S.r.l.; D.G.COM—S.r.l.	Sole Director	ceased
Flavio Favini	Reconta Ernst & Young S.p.A.	Partner	ceased
Deborah Sassorossi	Sassorossi, Fraschetti & Associati	Partner	ongoing
	Amita S.r.l.; Bitossi Diffusione S.p.A.; Brandini S.p.A.; Colorobbia S.p.A. ; Directional Projects S.p.A.; Firenze Mobilità S.p.A.; Immobiliare Industrie S.r.l. Con Socio Unico; Industria Toscana Vernici S.p.A.; Industrie Bitossi S.p.A.; Ing. G. Bassi & C. S.p.A.; Istituto Fiorentino di Cura e Assistenza S.p.A.; Santa Chiara Firenze S.p.A.; Starhotels S.p.A.; Thecla S.r.l. Con Socio Unico.	Statutory Auditor	ongoing
	Colorobbia Holding S.p.A.; Colorobbia Italia S.p.A.; Dura Lamp S.p.A.; Duralamp International S.p.A.; INIM—Interventi Immobiliari S.r.l.	Chairman of the board of statutory auditors	ongoing
	Leo France S.r.l.	President	ongoing
	Cappellani Giomi S.p.A; CO.E.STRA S.p.A.; Marcantonio Holding S.r.l.; Marcantonio S.p.A.; Metropolis S.p.A.	Substitute Auditor	ongoing
	Interprofessional Network S.p.A.; Prestige S.r.l.	Shareholder	ongoing
	A.B.C. S.r.l.	Trustee (in bankruptcy)	ongoing
	Coopark Società Cooperativa a Responsabilità Limitata; SV.IM.MA Sviluppo Immobiliare Matassino S.r.l.; Victoria mle S.r.l.	Chairman of the board of statutory auditors	ceased
	Bally Italia S.r.l.; Eurit S.r.l.; Iniziative Industriali Illuminazione S.p.A.; N-One S.r.l.	Statutory Auditor	ceased
	Holly Office S.r.l. ; La Mugellana S.r.l; Public Relations and Meetings S.r.l.	Trustee (in bankruptcy)	ceased

Name	Company	Office	Status of Office
	A2 S.r.l.; Coach Europe Services S.r.l. In Liquidazione; Esedra S.p.A.; Lascod S.p.A.; Project Costruzioni S.c.a.r.l.; Sof S.p.A.	Substitute Auditor	ceased
Guido Alberto Gonnelli	Sogest S.p.A.	Statutory Auditor	ongoing
	SO.LA.VA S.p.A.; Le Quinte S.p.A.; Geikos S.p.A.; Eradica S.p.A.	Substitute Auditor	ongoing
	Immobiliare Mearino di Guido Alberto Gonnelli & C. S.a.S.	General Partner	ongoing
	Beauty Wash Car S.r.l.	Trustee (in bankruptcy)	ongoing
Daniela Moroni	Sofer S.p.A.; Unica Soc Coop. di Abitazione Viesca Agricola S.r.l.; Casa Di Cura Villadonatello S.p.A.; Centro Oncologico Florentino Casa di Cura Villanova S.r.l.; EM Moulds S.r.l.; Ihimer S.p.A.; II Borro S.r.l.; Kme Partecipazioni S.r.l.; Lungamo Alberghi S.r.l.	Chairman of the board of statutory auditors	ongoing
	Palazzo Feroni Finanziaria S.p.A.; Soc. Imm. Agr. S. Gemignelello S.p.A.; Effeproject S.p.A.; Cogeta Palacehotels Gestioni S.p.A.; Ferragamo Finanziaria S.p.A.; Imer International S.p.A.; Kme Brass Italy S.r.l.; L. Manetti—H. Roberts S.p.A.; Nomination S.r.l.	Acting Auditor	ongoing
	Marchesi dé Frescobaldi Societá Agricola S.r.l.; Nuove iniziative Toscane S.r.l.; Compagnia dé Frescobaldi S.p.A.; Tenute di Castelglocondo e di Luce vite Societá Agricola a responsabilitá limitata.	Substitute Auditor	ongoing
	Morotex S.r.l.	Shareholder	ongoing
	F.lll Chiaverini & C. S.r.l.; Link S.r.l. in Liquidazione.	Official Receiver	ongoing
	A.P.I. S.p.A.	Acting Auditor	ceased
	Dialogo Vita S.p.A.; Resisto S.p.A.; OPI-TEC S.p.a.	Substitute Auditor	ceased
	SIGMA GI S.p.A.; Service Gruppo Fondiaria—Sai S.r.l.; Immobillare agricola Limestre S.r.l.	Chairman of the board of statutory auditors	Ceased
	Power-One Italy S.p.A.; Axis S.r.l. in Liquidazione; A. Raspini S.r.l.	Court-appointed liquidator	ceased
Antonella Andrei	Cantro Oncologico Florentino S.r.l.; Sigma GI S.p.A.; Service Gruppo Fondiaria-Sai S.r.l.; Cogeta Palacehotels Gestioni S.p.A.; Baglioni Hotel 2 S.r.l.; IHIMER S.p.A.	Acting Auditor	ongoing
	Casa di cura villa Donatello S.p.A.; Immobilare Agricola S. Gemignanello S.p.A.; S.O.F.E.R. S.p.A.; Palazzo Feroni	Substitute Auditor	ongoing

Name	Company	Office	Status of Office
	Finanziania S.p.A.; C.N.A. Informatica e Servizi S.r.l.; Ferragamo Finanziaria S.p.A.; KME Italy S.p.A.; Rubino S.r.l. Lugamo Alberghi S.r.l.; Nautor's Swan International S.p.A. (in liquidation); Effeproject S.p.A.; La Marina di Viareggio S.p.A.; KME Partecipazioni S.r.l.; Travertino Toscano S.p.A. MAKOR S.r.l.; Vannini Metalli & Impianti S.r.l. (in liquidation).		
	Logistica solare 2010 S.r.l. in Liquidazione	Official Receiver	ongoing
	A.P.I. S.p.A. Societá agricola la Pievina S.r.l. Power-One Italy S.p.a. AXIS S.r.l. in Liquidazione Francesca S.r.l.	Substitute Auditor	ceased
	Talenti Costruzioni S.r.l. Manifatture Cravatte S.r.l.	Official Receiver	ceased
	Gruppo Enologico Toscano S.r.l. Aifa Elettronica S.r.l.	Acting Auditor	ceased
	City Car S.r.l. Capaccioli impianti S.r.l.	Chairman of the board of statutory auditors	ceased
Lorenzo Galeotti Fiori	Bragaptini Antonio S.r.l.; E.M.I. Ente Moda Italia S.r.l.; Dura Lamp S.p.A.; Baccini Ortofrutta S.r.l.; Pitti Immagine S.r.l.; Franco Vago Over Seas Transport System S.p.A.; Lungamo Alberghi S.r.l.; Credit Italia S.r.l.; Duralam International S.p.A.; Compagnia dé Frescobaldi S.p.A.; Nautor's Swan International S.p.A. (in liquidation)e; EM Moulds S.r.l.; Effeproject S.p.A.; KME Recycle S.p.A.; Conti Attems Societá agricola S.r.l.; PRO.MO.MAR S.p.A.; PRO.MO.MAR. Real Estate S.p.A.; Omellaia Societá agricola S.r.l.; Travertino Toscano S.p.A.	Acting Auditor	ongoing
	Marchesi dé Frescobaldi societá agricola S.r.l.; EL.EN. S.p.A.; Palazzo Feroni Finenziaria S.p.A.; Ferragamo Finanziaria S.p.A.; Deka M.E.L.A. S.r.l.; Cutlite Penta S.r.l.; KME Intaly S.p.A.; Brain Technology S.p.A.; Centrovita assicurazioni S.p.A.; Tenute di Toscana S.r.l.; Vigneti di Nugola societá agricola S.r.l.; Transporti Internazionali Agenzia Maritima Savino del Bene S.p.A.; Welcome Italia S.p.A.; Tenute di Toscana Distribuzione S.r.l.	Substitute Auditor	ongoing
	Nautor Holding S.r.l.; La Marina di Viareggio S.p.A.; Makor S.r.l.; Vannini Metalli & Impianti S.r.l. (in liquidation).	Chairman of the board of statutory auditors	ongoing

Name	Company	Office	Status of Office
	Euro Lomar Investments S.r.l.; Pastificio San Rocco S.r.l. (no longer operating).	Official Receiver	ongoing
	Firenza Rugby 1931 Societá Sportiva Dilettantistica a Responsailitá Limitata (no longer operating).	Shareholder and Director	ongoing
	ACBGROUP S.p.A.	Director	ongoing
	Findomestic—Leasing S.p.A.; Crediai Italia S.p.A.; Edizioni Design S.p.A. in Liquidazione Infogroup—Informatica e Servizi Telematici S.C.p.A.; Sistemi Edili Integrati 2010 S.p.A.; Equitalia Cerit S.p.A.	Substitute Auditor	ceased
	The Nautor Group S.p.A.; 123 S.p.A.; C.P.F. Costruzioni S.p.A.	Acting Auditor	ceased
	Duratel S.p.A.	Chairman of the board of statutory auditors	ceased
	Nord Immobillare S.r.l. (in liquidation).	Court-appointed liquidator	ceased
	MP Communication S.r.l.; EXEO Serramenti ed architecture d'intemi S.r.l.	Official Receiver	ceased

None of the members of our board of statutory auditors is related to other members of our board of statutory auditors except for Mr. Mario Alberto Galeotti Flori and Mr. Lorenzo Galeotti Flori, who are father and son. Additionally, none of the members of our board of statutory auditors are related to any member of our board of directors or any principal executive or other individual playing a strategic role in our business.

To the best of our knowledge, none of the members of our board of statutory auditors has been: (i) convicted in relation to fraudulent offenses; (ii) a member of an administrative, management or supervisory body or a senior manager of a company in bankruptcy, receivership or liquidation, other than as disclosed, as statutory auditors with respect to companies undergoing processes of voluntary winding up; (iii) the subject of an official public investigation and/or sanctions by statutory or regulatory authorities (including professional associations) or (iv) removed or disqualified by a court from an administrative, management or supervisory body of an issuer or from acting in the management of an issuer.

Principal Executives

The following table sets forth our principal executives as at the date of this Offering Circular.

Name	Title	Age
Michele Norsa	Chief Executive Officer	62
Ernesto Greco	Chief Financial Officer and General Manager for Administration, Control and Information Systems	60
Massimo Barzaghi	General Manager for Supply Chain and Europe Region	54

Set out below are brief biographies of our principal executives.

Michele Norsa. See above in "—Board of Directors."

Ernesto Greco. Ernesto Greco has served as our Chief Financial Officer and general manager for Administration, Control and Information Systems since October 2007 and holds a degree in Mechanical Engineering. He started working in the Systems department at Montedison in 1976, where from 1978 to 1978 he served as head of Planning/Management Reporting. After serving as Treasurer at Hewlett and Packard and as Corporate Industrial Manager at the Eni Group, he worked for five years as a Controller at

Wang Computers. From 1989 to 2006, he served as Chief Financial Officer at the Bulgari Group, where he directly managed the initial public offering. From 2006 to 2007, he served as Chief Executive Officer of the Natuzzi Group.

Massimo Barzaghi. Massimo Barzaghi serves as our general manager for Europe and as Supply Chain general manager since April 2007. From 1988 to 1991, he initially worked as Worldwide Sales manager for Briko S.r.l and subsequently as operations manager. From 1997, he held various positions at Benetton Sportsystem, such as: Export Manager at Nordica, Marketing and Sales manager and General Manager for the Rollerblade brand and manager of the New Sports Division. From 1997 to 2001, he served as general manager of the Missoni Men's Division for the Marzotto Group. From 2001 to 2005, he held the position of Chief Executive Officer of Invicta Holding S.p.A. and as Chairman and Chief Executive Officer of Diadora-Invicta S.p.A. From 2005 to 2007, he has served as Chief Executive Officer of Century S.r.l and Overdistribution Ltd.

The following table lists other roles held or recently held by our principal executives in addition to those indicated above:

Name	Company	Office	Status of Office
Michele Norsa	Efima S.r.l.	Director	ceased

None of our principal executives are related to other principal executives, the members of our board of directors or the members of our board of statutory auditors or other individuals playing a strategic role in our business

To the best of our knowledge, none of the members of our principal executives has been: (i) convicted in relation to fraudulent offenses; (ii) a member of an administrative, management or supervisory body or a senior manager of a company in bankruptcy, receivership or liquidation; (iii) the subject of an official public investigation and/or sanctions by statutory or regulatory authorities (including professional associations) or (iv) removed or disqualified by a court from an administrative, management or supervisory body of an issuer or from acting in the management of an issuer.

Conflicts of Interest

As at the date of this Offering Circular, certain members of our board of directors, principal executives and other individuals playing a strategic role our Company hold personal interests, directly and indirectly, in our share capital. See "Selling and Principal Shareholders" and "Related Party and Certain Other Transactions."

Compensation

The following table sets forth the total compensation paid by our Group to each of our directors for the year ended December 31, 2010.

Name	Title	Total compensation paid by the Company (in €)	Total compensation paid by other Group Companies (in €, except where indicated)
Wanda Miletti Ferragamo[1]	Honorary Chairwoman of the board of directors	139,833	—
Ferruccio Ferragamo	Chairman	600,000	—
Michele Norsa	Chief Executive Officer	240,000	—[2]
Giovanna Ferragamo	Vice Chairwoman	155,333	—
Fulvia Ferragamo	Director	141,333	—
Leonardo Ferragamo	Director	8,000	—[2]
Massimo Ferragamo[1]	Director	8,000	U.S.$150,000[3]
Francesco Caretti[4]	Director	8,000	—
Diego Paternò Castello di San Giuliano	Director	8,000	—

(1) Resigned from the board of directors effective as at the Listing Date.

(2) €2,000 as compensation for role as director of Zefer S.p.A.

(3) Compensation for role as Chairman of Ferragamo USA, Inc.

(4) See also "Related Party and Certain Other Transactions" for a description of the compensation paid to our financial advisor, Caretti & Associati S.p.A, a financial advisory company based in Milan, of which Mr. Caretti is the Chairman.

At the meeting of our ordinary shareholders on April 28, 2011, it was resolved that as of the Listing Date, the compensation paid to each non-executive director will be equal to €30,000 (gross) per year.

In addition, from the date of his appointment to the Listing Date, Mr. Peter K.C. Woo is entitled to receive compensation equal to €8,000 for his role as a director, but Mr. Woo has stated that he wishes to decline such compensation.

The following table sets forth the total compensation paid by our Group to each of our statutory auditors for the year ended December 31, 2010.

Name	Title	Total compensation paid by the Company (in €)	Total compensation paid by other Group Companies (in €)
Mario Alberto Galeotti Flori	Chairman of the board of statutory auditors	40,237	—
Enrico Barachini	Acting auditor	31,182	—
Daniela Moroni	Acting auditor	31,182	14,358
Antonella Andrei	Substitute auditor	—	—
Lorenzo Galeotti Flori	Substitute auditor	—	—

Messrs. Mario Alberto Galeotti, Gerolamo Giuseppe Gavazzi and Fulvio Favini were appointed as our new statutory auditors at our extraordinary shareholders meeting on March 30, 2011, effective as at the Listing Date until the date of the ordinary shareholders' meeting to approve the Group's financial statements as at December 31, 2013. They will be paid the minimum compensation set for chartered accountants and accounting experts.

The following table sets forth the total compensation paid by our Group to each of our principal executives for the year ended December 31, 2010.

Name	Title	Total compensation paid by the Company (in €)
Michele Norsa	Chief Executive Officer	760,000(1)
Ernesto Greco	Chief Financial Officer and General Manager for Administration, Control and Information Systems	581,032
Massimo Barzaghi	General Manager for Supply Chain and Europe Region	392,564

(1) Compensation listed includes bonuses but does not include any fringe benefits or vesting stock options. See "—Stock Option Plan."

Stock Option Plan

Our Group does not currently have a stock option plan for employees. However, since December 14, 2006, we have had in place an executive compensation scheme which includes stock options granted to the Chief Executive Officer. This plan was revoked and a new plan was approved in its place on July 28, 2009. As at the date of this Offering Circular, the executive compensation plan referenced above is in place for our Chief Executive Officer, Mr. Michele Norsa. As at December 31, 2010, we had recorded €3.1 million on our statement of financial position as the fair value of the cash-settled options granted to Mr. Norsa, equivalent to a cost of €2.8 million.

SELLING AND PRINCIPAL SHAREHOLDERS

The table below sets out the information known to us with respect to the beneficial ownership of our Ordinary Shares as at the date of the Offering Circular.

	Prior to the Global Offering	
	Ordinary Shares	(%)
Shareholders		
Ferragamo Finanziaria S.p.A.(1)	94,721,810	56.24
Majestic Honour Limited(2)	13,472,800	8.00
Essegì S.r.l.(3)	11,232,950	6.67
Giquattro di Giovanna Ferragamo & C. S.a.S.(4)	11,232,950	6.67
Effesette di Ferruccio Ferragamo & C. S.a.S.(5)	11,232,950	6.67
Finvis di Fulvia Ferragamo & C. S.a.S.(6)	11,232,950	6.67
Leonardo Ferragamo	8,089,300	4.80
Nautor Holding S.r.l.(7)	3,143,650	1.87
Wanda Miletti Ferragamo(8)	2,531,650	1.50
Giovanna Ferragamo	506,330	0.30
Fulvia Ferragamo	506,330	0.30
Ferruccio Ferragamo	506,330	0.30
Total	**168,410,000**	**100.0**

(1) Ferragamo Finanziaria S.p.A. is a company organized under the laws of the Republic of Italy controlled by certain natural and legal persons affiliated with the Ferragamo family. See "—Selling Shareholder."

(2) Majestic Honour Limited is a company organized under the laws of the Hong Kong Special Administrative Region of the People's Republic of China indirectly controlled by Mr. Peter K. C. Woo.

(3) Essegì S.r.l. is a limited liability company organized under the laws of the Republic of Italy.

(4) Giquattro di Giovanna Ferragamo & C. S.a.S. is a company controlled by Giovanna Ferragamo.

(5) Effesette di Ferruccio Ferragamo & C. S.a.S. is a company controlled by Ferruccio Ferragamo.

(6) Finvis di Fulvia Ferragamo & C. S.a.S. is a company controlled by Fulvia Ferragamo.

(7) Nautor Holding S.r.l. is a limited liability company organized under the laws of the Republic of Italy controlled by Leonardo Ferragamo.

(8) Wanda Miletti Ferragamo holds right of usufruct over 15,486,900 Ordinary Shares (corresponding to 9.195% of our total share capital) granted on a pro rata basis (2,581,150 Ordinary Shares) by each shareholder with the exception of Majestic Honour Limited, Nautor Holding S.r.l., Giovanna Ferragamo, Fulvia Ferragamo and Ferruccio Ferragamo.

Essegì S.r.l., Giquattro di Giovanna Ferragamo & C. S.a.S., Effesette di Ferruccio Ferragamo & C. S.a.S., Finvis di Fulvia Ferragamo & C. S.a.S., Leonardo Ferragamo, Nautor Holding S.r.l., Wanda Miletti Ferragamo, Giovanna Ferragamo, Fulvia Ferragamo and Ferruccio Ferragamo are sometimes collectively referred to in this Offering Circular as the "**Ferragamo Family and Affiliate Shareholders**."

Certain Ferragamo Family and Affiliate Shareholders (Essegì S.r.l., Effesette di Ferruccio Ferragamo & C. S.a.S., Giquattro di Giovanna Ferragamo & C. S.a.S., Finvis di Fulvia Ferragamo & C. S.a.S., Nautor Holding S.r.l. and Mr. Leonardo Ferragamo) have granted the Selling Shareholder a call option (the "**Call Option**") to purchase shares held by them amounting to 25% of the share capital of the Company. See "—Selling Shareholder" and "Risk Factors—Future sales of our Ordinary Shares by our Principal Shareholders or the perception that such sales may occur could adversely affect the price of our Ordinary Shares, even if our business is doing well."

The following table sets forth the ownership of our Ordinary Shares as adjusted to reflect the sale of the Offer Shares by the Selling Shareholder, assuming the exercise of the Call Option.

	Prior to the Global Offering		Following the Global Offering		Assuming full exercise of the Over-Allotment Option	
	Ordinary Shares	**(%)**	**Ordinary Shares**	**(%)**	**Ordinary Shares**	**(%)**
Shareholders						
Ferragamo Finanziaria S.p.A.	94,721,810	56.24	94,721,810	58.52	94,721,810	56.24
Majestic Honour Limited	13,472,800	8.00	13,472,800	8.00	13,472,800	8.00
Essegì S.r.l.	11,232,950	6.67	2,812,450	1.67	2,812,450	1.67
Giquattro di Giovanna Ferragamo & C. S.a.S.	11,232,950	6.67	2,812,450	1.67	2,812,450	1.67
Effesette di Ferruccio Ferragamo & C. S.a.S.	11,232,950	6.67	2,812,450	1.67	2,812,450	1.67
Finvis di Fulvia Ferragamo	11,232,950	6.67	2,812,450	1.67	2,812,450	1.67
Leonardo Ferragamo	8,089,300	4.80	2,812,450	1.67	2,812,450	1.67
Nautor Holding S.r.l.	3,143,650	1.87	—	—	—	—
Wanda Miletti Ferragamo	2,531,650	1.50	2,531,650	1.50	2,531,650	1.50
Giovanna Ferragamo	506,330	0.30	506,330	0.30	506,330	0.30
Fulvia Ferragamo	506,330	0.30	506,330	0.30	506,330	0.30
Ferruccio Ferragamo	506,330	0.30	506,330	0.30	506,330	0.30
Free Float	—	—	38,275,000	22.73	42,102,500	25.0
Total	**168,410,000**	**100.0**	**168,410,000**	**100.0**	**168,410,000**	**100.0**

Selling Shareholder

The Selling Shareholder in the Global Offering is Ferragamo Finanziaria S.p.A. ("**Ferragamo Finanziaria**"). As at the date of this Offering Circular, the Selling Shareholder owns an aggregate of 94,721,810 Ordinary Shares, representing 56.24% of our share capital prior to the Global Offering. An aggregate amount of 38,275,000 of our Ordinary Shares will be offered pursuant to the Global Offering, all of which will be offered by our Selling Shareholder. If the Over-Allotment Option is exercised in full, the Global Offering will amount to 42,102,500 Ordinary Shares. As a result of the Global Offering, assuming the Over-Allotment Option is exercised in full, our Selling Shareholder will own 31.20% of our share capital, before the exercise of the Call Option and 56.24% of our share capital upon the exercise of the Call Option.

The table below sets forth the shareholders of Ferragamo Finanziaria as at the date of this Offering Circular.

	% of total shares
Shareholders of Ferragamo Finanziaria	
Massimo Ferragamo(1)	16.7
Giquattro di Giovanna Ferragamo & C. S.a.S.(1)	16.7
Effesette di Ferruccio Ferragamo & C. S.a.S.(1)	16.7
Finvis di Fulvia Ferragamo(1)	16.7
Leonardo Ferragamo(1)	16.0
Essegì S.r.l.(1)	16.7
Nautor Holding S.r.l.	0.7
Total	**100.0**

Source: Company

(1) Includes shares for which the right of usufruct has been granted to Wanda Miletti Ferragamo.

The Call Option was granted to the Selling Shareholder by certain Ferragamo Family and Affiliate Shareholders on April 11, 2011 in order to allow Ferragamo Finanziaria to maintain a majority stake in the Company. The Call Option can be exercised up to midnight on the business day after the closing of the Italian Public Offering and the exercise of the Call Option will enable us to achieve a free float percentage of our Ordinary Shares equal at least to 24.3%, as requested by Borsa Italiana. The price per Ordinary

Share paid by Ferragamo Finanziaria will be the offer price established for the Global Offering. The table below sets forth the Ordinary Shares that comprise the Call Option.

	Ordinary Shares of the Company	% of total shares of the Company
Call Option in Favor of Ferragamo Finanziaria		
Essegì S.r.l.	8,420,500	5.000%
Giquattro di Giovanna Ferragamo & C. S.a.S.	8,420,500	5.000%
Effesette di Ferruccio Ferragamo & C. S.a.S	8,420,500	5.000%
Finvis di Fulvia Ferragamo	8,420,500	5.000%
Nautor Holding S.r.l.	3,143,650	1.866%
Leonardo Ferragamo	5,276,850	3.133%
Total	**42,102,500**	**25.000%**

Agreement between the Selling Shareholder and Majestic Honour Limited

On February 28, 2011, the Selling Shareholder sold 8% of our share capital to Majestic Honour Limited ("**MHL**"), a company controlled by Mr. Peter K. C. Woo for total consideration of €93 million (the "**MHL Purchase Agreement**"). The MHL Purchase Agreement contains certain provisions which, as modified on April 13, 2011, regulate the governance of the Company and the transfer, disposal or divestment of the parties' respective shareholdings which are summarized below.

Governance. The MHL Purchase Agreement stipulates that MHL, as long as it holds shares equivalent to at least 4% of the Company's share capital, has the right to designate one member of the Company's board of directors, who will be either Mr. Woo or a member of his family.

Capital increase. The Selling Shareholder and MHL have agreed to not approve any capital increase of the Company excluding the preemptive rights of existing shareholders under Article 2441 of the Italian Civil Code, save for a capital increase not to exceed 5% of the Company's share capital and in context of the Public Offering.

Public listing of shares. MHL has conceded to the Selling Shareholder the right to make all decisions related to the manner, price, conditions, timeline and terms of any public listing of the Company.

Dividend Policy. The Selling Shareholder and MHL have agreed to implement a dividend policy in line with those of comparable companies.

Put and Call Options. In the event that the Company's Ordinary Shares are listed on an exchange before December 31, 2011, the Selling Shareholder has agreed, upon the request of MHL, to purchase (within 10 days from the settlement date) either: (i) 25% of the shareholding of MHL or (ii) the portion of MHL's shareholding that is proportionate to what the Selling Shareholder sold within the context of the Global Offering. The purchase price per share shall correspond to the Selling Shareholder's per share proceeds from the Global Offering of Ordinary Shares net of commissions and fees payable to the Joint Global Coordinators and Joint Bookrunners, the underwriting syndicate for the Italian Public Offering and the institutional managers (the "**Net Per Share Price**"). If MHL does not exercise its put option as described above, and the Net Per Share Price is greater than the per share price paid by MHL under the MHL Purchase Agreement, MHL will be obliged to sell to the Selling Shareholder, upon such request of the Selling Shareholder (within 10 days of the expiration of the put option described above), either: (i) 25% of the shareholding of MHL or (ii) the portion of MHL's shareholding that is proportionate to what the Selling Shareholder sold within the context of the Global Offering. The call option and the put option described above are referred to herein as the "**MHL Options**."

Lock-up Agreement. MHL has agreed to abide by lock up commitments which prevents it from selling, transferring, pledging and granting any option, preemption or other rights to third parties on our Ordinary Shares for a period of three years following the date our Ordinary Shares commence trading on an exchange, in all cases not to exceed December 31, 2014, without the prior written consent of the Selling Shareholder.

Change of Control of MHL. In the event that Mr. Woo and his family no longer control MHL, the Selling Shareholder has the right to acquire the entire shareholding of MHL for a price as determined by certain criteria in the MHL Purchase Agreement which shall be applied *mutatis mutandis,* less a 30% discount.

Duration. Unless otherwise provided by Article 123 of the Unified Financial Act, the provisions of the MHL Purchase Agreement regarding governance and transfer, disposal or divestment of the Company's shares will expire in five years, upon which time they will be automatically renewed for another five years unless one party receives six months' prior notice of the other party's intention to terminate such provisions. Within the context of the Global Offering, the Selling Shareholder and MHL have agreed to conclude a new shareholders' agreement with a duration of three years, automatically renewable for another three years unless one party gives six months' prior notice of its intention to terminate. Such shareholders' agreement will contain terms and conditions which shall be substantially similar to those of the MHL Purchase Agreement.

Agreement between the Selling Shareholder and its respective shareholders

On April 11, 2011, the Ferragamo Family and Affiliate Shareholders, in their capacity as shareholders of the entire share capital of the Selling Shareholder and as shareholders of the remaining share capital of the Company (other than the shareholdings held by MHL and the Selling Shareholder), agreed with the Selling Shareholder to take all necessary action to effect the Global Offering and make available to the Selling Shareholder a number of Ordinary Shares of the Company not to exceed 25% of the Company's total share capital, including any over-allotments (the "**Selling Shareholder Agreement**"). The Selling Shareholder Agreement further specified that Mrs. Wanda Miletti Ferragamo is to retain under all circumstances, at least 1.5% of the share capital of the Company. In addition, the Selling Shareholder Agreement provides that the Selling Shareholder will have an exclusive and unconditional right to manage the Global Offering, and to establish the terms and conditions thereunder, including the offering price. Furthermore, the Selling Shareholder Agreement specified that if the Selling Shareholder exercises the call option vis-à-vis MHL (pursuant to the agreement entered into between the Selling Shareholder and MHL on February 28, 2011 (as subsequently amended)): (i) the Selling Shareholder will have the right to sell to the Ferragamo Family and Affiliate Shareholders the Ordinary Shares so acquired by the Selling Shareholder from MHL on the same terms and conditions and proportionately to the number of shares made available to the Selling Shareholder; and (ii) the Ferragamo Family and Affiliate Shareholders will have the obligation to buy such shares at the exercise price of the call option of the Selling Shareholder vis-à-vis MHL and the right to buy such shares from the Selling Shareholder (which will have the obligation to sell).

Lock-up Agreements

The Ferragamo Family and Affiliate Shareholders have each undertaken, for the benefit of the Joint Global Coordinators, and the institutional managers, for a period commencing on the date of the lock-up agreements to and including the date falling 180 days after the Listing Date, directly or indirectly: (i) not to sell, transfer or otherwise dispose of our Ordinary Shares (or any other financial instruments, including participating financial instruments, granting the right to purchase, subscribe for, convert into and/or exchange for our Ordinary Shares), (ii) not to grant options, rights or warrants granting the right to purchase, subscribe for, convert into and/or exchange for our Ordinary Shares, (iii) not to enter into or carry out any swap agreement or other derivative contract that have any of the foregoing consequences (even if limited to economic consequences), except with the prior written consent of the Joint Global Coordinators, which shall not be unreasonably withheld.

In addition, the Ferragamo Family and Affiliate Shareholders have each agreed, for the same period referred to above: (i) not to propose and/or approve any increase in the share capital of the Company (except in order to reconstitute the share capital pursuant to applicable laws) or any issuance of bonds or any other financial instruments (including participating financial instruments) that grant the right to purchase or subscribe for, or are convertible into and/or exchangeable for, our Shares; and (ii) not to authorize any disposal of treasury shares, if any, held by the Company, except with the prior written consent of the Joint Global Coordinators, which shall not be unreasonably withheld.

We and the Selling Shareholder have agreed to the same restrictions referred to above until the date falling 365 days after the Listing Date.

The commitments above shall not apply to: (i) the Call Option; (ii) any Shares sold by the Selling Shareholder in the Global Offering or pursuant to the Over-Allotment Option; (iii) the MHL Options; (iv) sales by the Selling Shareholder to the Ferragamo Family and Affiliate Shareholders pursuant to the Selling Shareholder Agreement or (v) any transaction carried out in order to comply with mandatory provisions of law or regulation or orders or requests issued by a competent authority.

RELATED PARTY AND CERTAIN OTHER TRANSACTIONS

The following is a description of certain transactions to which we or our subsidiaries have been a party, and in which any of our directors, executive officers or certain holders of our share capital (or any of such persons' immediate family members) had or will have a direct or indirect material interest, other than compensation arrangements which are described under "Management." Management believes that all such transactions have been effected at arm's length and substantially in line with market terms and rates.

You should read this section in conjunction with the consolidated financial statements and accompanying notes elsewhere in this Offering Circular and the information contained in "Presentation of Financial and Other Information" and "Management's Discussion and Analysis of Results of Operations and Financial Condition." See also "Risk Factors—We have entered into transactions with related parties and expect to continue to do so in the future. These transactions present the potential for conflicts of interest and may not be advantageous to our shareholders."

On March 30, 2011, our board of directors approved a new policy for transactions with related parties (the "**Related Party Transactions Policy**"), to take effect as at the Listing Date. The Related Party Transactions Policy is intended to increase transparency and establish procedures regarding transactions with related parties, utilizing the principles set out in IAS 24 to identify relevant transactions with a related party or parties. The Related Party Transactions Policy provides for the establishment of a committee consisting of independent directors which will evaluate any future transaction between us and/or our subsidiaries and related parties. Such committee will be required to (i) provide preliminary evaluations on transactions with related parties, recommend changes to those transactions and formulate proposals to the extraordinary shareholders' meeting where appropriate; and (ii) provide reasoned and binding opinions in relation to significant transactions with related parties, and reasoned but non-binding opinions on minor transactions with related parties (the committee will consider a series of minor transactions with the same party to be one major transaction, if appropriate). The board of directors has assigned the Internal Audit Committee the task and functions of the committee required under the Related Party Transactions Policy. Under certain circumstances, the board of directors may elect to proceed with a transaction despite the unfavourable opinion of the committee, provided however that certain conditions are met.

We have entered into a number of agreements with related parties and other affiliates. For the three months ended March 31, 2011 and the years ended December 31, 2010, 2009 and 2008, transactions with related parties (including Group companies) generated €0.5 million, €1.6 million, €1.4 million and €4.2 million in revenue, respectively, equivalent to approximately 0.3%, 0.2%, 0.2% and 0.6%, respectively, of total revenue and resulted in operating costs of €2.1 million, €6.5 million, €6.6 million and €6.2 million, respectively, equivalent to 1.1%, 0.9%, 1.1% and 1.0% of total operating costs, respectively. As at March 31, 2011 and as at December 31, 2010, 2009 and 2008, trade receivables with related parties amounted to €2.6 million, €1.7 million, €2.0 million and €1.8 million, respectively, equivalent to 3.6%. 2.3%, 3.5% and 2.7% of total trade receivables, respectively. As at March 31, 2011 and as at December 31, 2010, 2009 and 2008, trade payables with related parties amounted to €0.2 million, €0.2 million, €0.4 million and €0.2 million, respectively whereas other current (non-financial) debt amounted to €29.7 million, €10.8 million, €0.9 million and €1.4 million, respectively, equivalent to 28.4%, 14.1%, 2.3% and 2.5% of total other current (non-financial) debt, respectively. As at March 31, 2011, financial payables with related parties amounted to €40.2 million.

Since March 31, 2011, there has been no transaction or transactions involving material amounts with related parties, other than pursuant to the ongoing relationships described below.

The tables below set forth our related party transactions for the periods indicated.

	Three month ended March 31, 2011			As at March 31, 2011			
	Revenue	**Operating costs**	**Financial charges**	**Trade receivables**	**Trade payables**	**Other current (non financial) liabilities**	**Financial debt**
			(€ in millions, except for percentages)				
Transactions involving related parties	0.5	(2.1)	—	2.6	0.2	29.7	40.2
% of all transactions	**0.3%**	**1.1%**	**—**	**3.6%**	**0.1%**	**28.4%**	**25.9%**

	Year ended December 31, 2010			As at December 31, 2010			
	Revenue	**Operating costs**	**Financial charges**	**Trade receivables**	**Trade payables**	**Other current (non financial) liabilities**	**Financial debt**
			(€ in millions, except for percentages)				
Transactions involving related parties	1.6	(6.5)	—	1.7	0.2	10.8	—
% of all transactions	**0.2%**	**0.9%**	**—**	**2.3%**	**0.2%**	**14.1%**	**—**

	Year ended December 31, 2009			As at December 31, 2009			
	Revenue	**Operating costs**	**Financial charges**	**Trade receivables**	**Trade payables**	**Other current (non financial) liabilities**	**Financial debt**
			(€ in millions, except for percentages)				
Transactions involving related parties	1.4	(6.6)	—	2.0	0.4	0.9	—
% of all transactions	**0.2%**	**1.1%**	**—**	**3.5%**	**0.5%**	**2.3%**	**—**

	Year ended December 31, 2008			As at December 31, 2008			
	Revenue	**Operating costs**	**Financial charges**	**Trade receivables**	**Trade payables**	**Other current (non financial) liabilities**	**Financial debt**
			(€ in millions, except for percentages)				
Transactions involving related parties	4.2	(6.2)	—	1.8	0.2	1.4	—
% of all transactions	**0.6%**	**1.0%**	**—**	**2.7%**	**0.2%**	**2.5%**	**—**

The table below expands the summary provided above to illustrate the related party transactions for the three months ended March 31, 2011 or as at March 31, 2011, as the case may be, followed by a discussion of certain related party transactions.

	Three month ended March 31, 2011			As at March 31, 2011			
	Revenue	**Operating costs**	**Financing costs**	**Trade receivables**	**Trade payables**	**Other current (non financial) liabilities**	**Financial debt**
			(€ in thousands, except for percentages)				
Counterparty							
Principal Shareholder							
Ferragamo Finanziaria	—	—	—	218	—	16,069[(1)]	—
Associated Companies							
Palazzo Feroni Finanziaria S.p.A.	21	(1,137)	—	25	—	—	—
Lungarno Alberghi S.p.A.	7	(150)	—	11	3	—	—
Zefer S.p.A.	500	—		1,959	—	—	—
Managers, directors or companies controlled by managers or directors							
Caretti & Associati S.p.A.	—	(57)	—	—	111	—	—
Wanda Miletti Ferragamo	—	(19)	—	—	—	—	—
Il Borro S.r.l.	8	(14)	—	10	16	—	—
Fulvia Ferragamo	—	—	—	—	—	—	—
Bacco S.r.l.	—	(1)	—	—	—	—	—
Nautor Med S.r.l.		—	—	—	—	—	—
Rubino S.r.l.	—	(21)	—	—	1	—	—
Castiglion del Bosco S.Agr. r.l.	1	(2)	—	1	2	—	—
Imaginex Overseas Ltd.	—	(12)	—	—	—	723[(2)]	5,076[(2)]
Imaginex Holdings Ltd.	—	(83)	—	—	—	12,939[(3)]	35,081[(3)]
Imaginex Management Co	6	(22)	—	—	21	—	—
Wharf T&T Ltd.	—	(1)	—	—	—	—	—
Times Square Ltd.	—	(90)	—	—	—	—	—
Wharf Realty Ltd.	—	(256)	—	—	—	—	—
Lane Crawford Holdings Ltd.	—	(5)	—	19	—	—	—
Wheelock Travel Ltd.	—	(1)	—	—	—	—	—
Imaginex Beauty Ltd.	—	—	—	—	2	—	—
Xiamen Dongfang Hotel Co., Ltd.	—	(18)	—	160	—	—	—
Imaginex (Shanghai) Commercial Co. Ltd.	—	(1)	—	—	—	—	—
Shanghai Wheelock square Development Co. Ltd	—	—	—	111	—	—	—
Shanghai Harriman Property Management Co. Ltd.	—	—	—	16	—	—	—
Shanghai Longxing Property Development Co. Ltd.	—	(33)	—	67	11	—	—
Shanghai Times Square Property Management (Shanghai) Co. Ltd.	—	(2)	—	4	—	—	—
Studio Legale Portale Visconti	—	—	—	—	—	—	—
Giacomo Ferragamo	—	(98)	—	—	—	—	—
Angelica Visconti	—	(38)	—	—	—	—	—
Total	**543**	**(2,061)**	**—**	**2,601**	**167**	**29,731**	**40,157**
Grand Total	**208,512**	**(187,483)**		**71,388**	**121,786**	**104,824**	**155,198**
% of Group total	**0.3%**	**1.1%**		**3.6%**	**0.1%**	**28.4%**	**25.9%**

(1) The current (non financial) liabilities of €16.1 million as at March 31, 2011 refer to amounts owed pursuant to the national tax consolidation (*consolidato fiscale nazionale*) of the Company under Ferragamo Finanziaria S.p.A.

(2) Imaginex Overseas Limited ("**IOL**") is a company indirectly controlled by Peter Woo, a member of our board of directors. The current (non financial) liabilities and financial debt of €723,000 and €5.1 million respectively, each as at March 31, 2011, refer to (i) a loan made by IOL to Ferragamo Retail Macau Limited ("**Ferragamo Macau**") and dividends approved but not paid by Ferragamo Macau and Ferragamo Moda (Shanghai) Co. Limited ("**FMS**") and (ii) indebtedness arising from the purchase of stakes in FMS and Ferragamo Macau.

(3) Imaginex Holdings Limited is a company indirectly controlled by Peter Woo, a member of our board of directors. The current (non financial) liabilities and financial debt of €12.9 million and €35.1 million respectively, each as at March 31, 2011, refer to dividends approved but not yet paid by Ferrimag Limited and indebtedness arising from the purchase of a stake in Ferrimag Limited.

Certain real estate lease agreements

We are party to a number of real estate lease agreements with the following parties: (i) either (a) physical persons or (b) legal persons controlled directly or indirectly by members of the Ferragamo family (Palazzo Feroni Finanziaria, Wanda Miletti Ferragamo, Lungarno Alberghi S.r.l., Bacco S.r.l. and Rubino S.r.l., collectively the "**Ferragamo Real Estate Counterparties**") or (ii) companies controlled directly or indirectly by Peter K. C. Woo (Imaginex Management Co. Ltd., Wharf Realty Ltd., Lane Crawford Ltd., Harriman Leasing Limited, Shanghai Longxing Property Development Co. Ltd., Shanghai Wheelock Square Property Development Co. Ltd. and Xiamen Dongfang Hotel Co. Ltd., collectively the "**Woo Real Estate Counterparties**"). In the case of the Ferragamo Real Estate Counterparties these agreements related to the lease of properties located in Italy for use as showrooms, offices, storage, shops, and logistics functions. In the case of the Woo Real Estate Counterparties, these agreements relate to the lease of properties located in Hong Kong and various cities in the People's Republic of China for use as shops and offices. The total annual rent for these properties is approximately €10.3 million (not including the variable portion of the lease agreements), Euro equivalent (payment is made in various currencies for the Woo Real Estate Counterparties, including Hong Kong dollars and Chinese renminbi).

Caretti & Associati S.p.A.

Caretti & Associati S.p.A. ("**Caretti & Associati**") is a financial advisory firm of which Mr. Francesco Caretti, a member of our board of directors, currently serves as Chairman. On December 6, 2005, the shareholders of the Company, the Company and Caretti & Associati signed an agreement pursuant to which Caretti & Associati is acting as financial advisor to the Company in connection with, and for the entire duration of, the process leading to the listing of the Company. The compensation paid to Caretti & Associati is divided into a fixed and variable part, the latter being dependent on the successful listing of the Issuer's shares on the MTA. The amount of fees paid by the Company will not exceed €325,000 (excluding IVA), €200,000 of which is the variable portion.

Caretti & Associati has provided, and may in the future provide, financial advisory services to the Company or other companies within the Group in the ordinary course of business. In addition, Caretti & Associati is also acting as financial advisor to the Selling Shareholder in connection with the Global Offering, for which it will be paid fees calculated with reference to the net proceeds of the Global Offering.

Information technology agreements with affiliates of Mr. Peter K. C. Woo

As at the date of this Offering Circular, various Group companies in the Asia-Pacific region have entered into information technology service agreements with companies controlled directly or indirectly by Mr. Peter K. C. Woo, a member of our board of directors. The total value of these contracts is estimated at approximately €51,000 per year.

Loan agreement between Imaginex Overseas Limited and Ferragamo Retail Macau Limited

As at the date of this Offering Circular, our subsidiary Ferragamo Retail Macau Limited has in place a financing agreement with Imaginex Overseas Limited for a total principal amount of U.S.$1.2 million due December 21, 2011 and automatically renewable for additional one year terms, unless either party gives notice of termination. The finance agreement is not guaranteed by the Company or any other company of the Group. Furthermore, the loan can be repaid at any time without any prepayment penalties. Interest accrues at a rate of 1.63% per year, payable on a quarterly basis.

Studio Legale Portale Visconti

Studio Legale Portale Visconti, has provided, and may in the future provide, legal advisory services to the Company or other companies within the Group in the ordinary course of business. In addition, Studio Legale Portale Visconti is providing legal advice to the Selling Shareholder in connection with the Global Offering, for which it will be paid customary fees. Additionally, Giuseppe Visconti, a partner of Studio Legale Portale Visconti is the father of Angelica Visconti, who manages the retail operations of the Group in Italy and the husband of Fulvia Ferragamo, a member of our board of directors.

Angelica Visconti

Angelica Visconti is the manager of the retail operations of the Group in Italy, for which she received a salary of approximately €125,000 in 2010. She is also the daughter of Fulvia Ferragamo, a member of our board of directors, and Giuseppe Visconti, a partner of the firm Studio Legale Portale Visconti, which has provided legal advisory services to the Company and other companies in the Group and is advising the Selling Shareholder in connection with the Global Offering.

James Ferragamo

James Ferragamo is the manager of our women's leather goods operations, for which he received a salary of approximately €340,000 in 2010. James Ferragamo is the son of Ferruccio Ferragamo, our Chairman.

DESCRIPTION OF SHARE CAPITAL

The following is a summary of certain information concerning our Ordinary Shares and certain provisions of our bylaws (Statuto) and of Italian law in effect at the date hereof. The information included herein may not contain all of the information which may be relevant to you in deciding whether to invest in our Ordinary Shares.

General

We were incorporated under Italian law on December 28, 1994, as a joint stock company (*società per azioni*) under the name Salvatore Ferragamo Italia S.p.A. The name was changed to Salvatore Ferragamo S.p.A. in 2011. Our share capital is €16,841,000, represented by 168,410,000 Ordinary Shares with a nominal value of €0.10. All of the issued and outstanding shares have been validly issued and are fully paid. According to our bylaws, the Company has a duration of until December 31, 2050, unless otherwise extended in accordance with applicable Italian laws.

Each share confers on its holder the right to one vote at our ordinary and extraordinary shareholders' meetings, as well as other proprietary and administrative rights in accordance with applicable Italian laws and the bylaws. Our Ordinary Shares are freely transferable, pursuant to applicable Italian laws. The Ordinary Shares offered in this Global Offering have been admitted to listing on the MTA.

Authorization of Shares

The Company may authorize additional Ordinary Shares in connection with capital increases approved by shareholders in an extraordinary general meeting; such an authorization would generally be given only after recommendation by the board of directors.

Limitations on Shareholdings

The transfer of the Ordinary Shares is not subject to any restrictions other than those contemplated by the terms of this Global Offering. See "Transfer Restrictions." If a shareholder votes its Ordinary Shares in violation of the bylaws, the relevant resolutions of the shareholders' meeting may be contested if the required majority would not have been reached but for the votes attributed to such excess Ordinary Shares. However, the Ordinary Shares may be counted for the purposes of determining whether the shareholders' meeting achieved a quorum.

Form and Transfer of Ordinary Shares

Since January 1, 1999, shareholders are unable to receive physical delivery of share certificates for Italian listed companies. Shares of companies listed in Italy are no longer represented by paper certificates and the transfer and exchange of shares takes place exclusively through an electronic book-entry system managed by a centralized securities clearing system (like Monte Titoli). Accordingly, all shares must be deposited by their owners with an authorized financial intermediary which participates in an electronic book-entry system managed by a centralized securities clearing system. The intermediary will in turn deposit the shares with Monte Titoli or another company authorized by CONSOB to operate a centralized securities clearing system. The following list includes the participants admitted to the book-entry system pursuant to Article 13 of the Regulation of the Bank of Italy and CONSOB of February 22, 2008, as subsequently amended on December 24, 2010 (the "**Joint Regulation**") (rules governing central depositories, settlement services, guarantee systems and related management companies):

- Italian or EU-based banks;
- non-EU banks authorized by the Bank of Italy to operate in the Italian market;
- SIM (*Società di Intermediazione Mobiliare*, a registered securities dealer);
- EU-based investment companies;
- non-EU-based investment companies authorized by CONSOB to provide investment services in Italy;
- Italian asset management companies (SGRs), exclusively for the management of investment portfolios on an individual client basis;
- stock brokers listed in the registries provided for under applicable law;

- companies or entities not included in the above list, but only with respect to the financial instruments issued or allocated by such companies or by entities in which they own a controlling interest;

- *Poste Italiane S.p.A.* (the Italian Postal Service).

Issuers of the financial instruments referred to in Article 14 of the Joint Regulation (which include, among others, shares, bonds and units of investment funds) shall be eligible in their capacity as issuers.

To transfer an interest in shares, the transferor and the transferee are required to give instructions to their respective intermediaries. If the transferee is a client of the transferor's intermediary, the intermediary will simply transfer the shares from the transferor's account to the account of the transferee. If, however, the transferee is a client of another intermediary, the transferor's intermediary will instruct the centralized clearing system to transfer the shares to the account of the transferee's intermediary, which will then register the shares on the transferee's account.

Each intermediary maintains a custody account for each of its clients. This account sets out the financial instruments of each client and the records of all transfers, dividend payments, exercise of rights attributable to the financial instruments, charges or other encumbrances on such instruments. The account holder or any other eligible party may submit a request to the intermediary for the issue of a certified account statement. The request must indicate, among other things, the name of the applicant, the quantity of financial instruments in respect of which the statement is requested, the rights which the applicant intends to exercise (in the case of shareholders' rights, the date and agenda of the meetings) and the duration for which the certificate's validity is requested. Within two business days of the receipt of such request, the intermediary must issue a certified statement of account which constitutes evidence of the account holder's ownership of the financial instruments indicated. Once a certified statement of account is issued, the intermediary may not affect any transfer of the corresponding shares until the statement is no longer valid or it is returned. In the case of rights exercisable at shareholders' meetings, the above certification is replaced by a notice issued by the intermediary to the relevant company.

All of the Company's Shares have been deposited with Monte Titoli. Accordingly, it will not be possible for a shareholder to obtain physical delivery of share certificates representing Shares. Instead, transfers of Shares will be possible using the procedures described above.

Euroclear and Clearstream, Luxembourg, have accepted the Ordinary Shares for clearance and, therefore, you may elect to hold Shares through them instead of Monte Titoli. In order to exercise your rights as a holder of Shares, you must rely on the procedures of Monte Titoli, Euroclear or Clearstream, Luxembourg and of the intermediaries or participants that have accounts with Monte Titoli, Euroclear or Clearstream, Luxembourg.

Shareholders' Meetings

Italian legislation regarding shareholders' meetings and minority shareholders' rights has been recently amended by Legislative Decree No. 27/2010, which implements EU Directive 2007/36/EC on shareholders' rights. New rules—which regard, *inter alia*, the record date, the call and functioning of shareholders' meetings, proxy voting and information rights—are aimed at enhancing shareholders' rights and the participation in shareholders' meetings. Such new rules, which are described herein, are applicable to shareholders' meetings whose call notice is published after October 31, 2010.

Shareholders' meetings of the Company may be held in Italy, any Member State of the European Union or in the United States pursuant to Article 12 of the bylaws. Pursuant to Article 83-*sexies*, paragraph 2, of the Unified Financial Act, all persons for which the Company has received a notice from an intermediary, on the basis of the latter's records at closing of business on the seventh trading day prior to the date of the meeting, shall be entitled to attend shareholders' meetings (the so-called record date). Such persons may attend the meeting and vote even if they transfer their shares after the record date. Conversely, the purchaser of the shares after the record date will not be entitled to attend the meeting. The purchaser however is entitled to challenge the shareholders' meetings resolutions or to exercise withdrawal rights, where applicable.

Shareholders must attend shareholders' meetings in person or, subject to the proxy rules of the Unified Financial Act, by proxy. A proxy may be given in writing or electronically to any person or entity subject to Articles 135-*novies* and 135-*decies* of the Unified Financial Act.

Pursuant to the Unified Financial Act, the Company shall appoint a single representative for each meeting (*rappresentante designato dalla società*) to whom shareholders may grant a proxy no later than the end of the second trading day prior to the date of the meeting. Proxies shall contain voting instructions (otherwise they are ineffective) and be granted according to a form defined by CONSOB. Certain disclosure rules apply to conflicts of interest of the single representative appointed by the Company.

Further, pursuant to the Unified Financial Act, one or more promoters may solicit proxies to more than 200 shareholders provided a prospectus and a proxy form are published (rules on proxy solicitation shall not apply to solicitations addressed to no more than 200 shareholders, provided that no indications are given that may influence the voting process). General rules on proxy solicitation (including the obligation to publish a prospectus) shall not apply to the solicitation carried out by shareholders' associations meeting the requirements set forth under Article 141 of the Unified Financial Act.

Under Italian law, shareholders' meetings may be either ordinary or extraordinary. Meetings are called by the Company's board of directors when required or deemed appropriate. The Company's shareholders' meetings must be called (i) without delay following a request by holders of at least 5% of the Company's share capital; (ii) by the Company's board of directors to approve its annual financial statements; (iii) by the board of statutory auditors or by the court having jurisdiction if the board of directors or board of statutory auditors, respectively, has breached its fiduciary duties to the Company's shareholders or has not called the meeting in accordance with provisions of Italian Law; or (iv) by the board of statutory auditors in the event of an unjustified delay or failure by the board of directors to call a meeting. Shareholders' meetings may also be called by at least two members of the board of statutory auditors. Following an appeal by the shareholders who have requested such meeting and upon consultation with the board of directors and the board of statutory auditors, the court may order by decree that such meeting be convened and shall appoint the person who will act as the Chairman of the meeting.

Shareholders are informed of all shareholders' meetings to be held by publication of a notice in the Company's website and in accordance with CONSOB's requirements, at least 30 days before the date fixed for the meeting. The required notice period is reduced to 21 days for meetings relating to the reduction of the share capital due to losses or below the statutory minimum requirement as well as to voluntary winding up, and 15 days for meetings convened pending a public tender offer. The notice period is increased to 40 days for meetings called for the election of the Board of Directors or the Board of Statutory Auditors. The notice may specify a date for a second or third meeting in the event that a quorum is not met at the first or second meeting. Such meeting dates are generally referred to as "calls."

The second or third call shall take place not later than 30 days after the previous call if the date for the second or third call is not set forth in the notice and, in any case, not on the same date as that of the previous call. Notice of any meeting on second or third call must be published at least 10 days prior to the date of the meeting. Moreover, even in the absence of notice a meeting will be deemed duly held if 100% of the share capital is represented and the majority directors and statutory auditors are present at the meeting. Persons attending may object to discussion of matters of which they have not been adequately informed.

Our directors are required to make available to the public, at our registered office and website and in accordance with CONSOB's requirements, a report on the proposals relating to the matters on the agenda no later than the term for the publication of the notice of the meeting.

Shareholders are entitled to ask questions regarding the items on the agenda before the date of the meeting, which the Company is required to answer at the latest in the meeting, and by way of a Q&A posted on the Company's website.

Pursuant to the Unified Financial Act, shareholders who, separately or jointly, represent at least 2.5% of the share capital may request, within ten days of the publication of the notice convening the meeting, additions to the agenda, specifying in the request the additional items they propose. Such additions to the agenda may not be made for matters on which the shareholders' meeting is required by law to resolve on proposals put forward by the directors or on the basis of a plan or report they have prepared. The requesting shareholders must prepare a report on the items they have proposed to include in the agenda.

Resolutions adopted at a shareholders' meeting are binding on all shareholders, including dissenting or absent. However, pursuant to Italian law, absent, abstaining or dissenting shareholders, who hold, separately or jointly, shares with voting rights in relation to the resolution adopted, which represent 1/1000 of the Company's share capital, have the right to ask the court where the Company has its registered office to annul the resolutions taken in violation of applicable laws or the Company's bylaws. All directors and statutory auditors are also entitled to challenge resolutions on the same grounds. Such challenges must be made within 90 days from the date of the resolution or, if the resolution is subject to required registration in the register of enterprises, within 90 days of registration.

In addition, if shareholders' resolutions are passed without any call of the meeting, without minutes of the same and in respect of any matter which is illegal or impossible to achieve, such resolutions may be challenged by any interested party within three years from the date of the registration of the resolution in the register of enterprises or, if the resolution is not subject to registration, within three years from date of the registration of the resolution in the companies' register or, if the resolution is not subject to registration, within three years from the registration of the minutes in the relevant corporate book. In addition, shareholders' resolutions which modify the corporate purpose to include impossible or illegal activities may be challenged without any time limit. Furthermore, in a limited number of circumstances (including a shareholders' resolution which approves the delisting of our shares, but with the exclusion of any withdrawal right in the event of prorogation of the term of the Company or the introduction, amendment or removal of limits to the circulation of the Company's shares), applicable laws grant dissenting, absent and abstaining shareholders the right to withdraw from the Company. Such a withdrawal could require us to redeem the shares of the withholding shareholder at the average of the closing market price of the shares over the previous six-month period. Redemption may be effected by utilizing our available reserves or alternatively by a reduction of its share capital.

There are no restrictions arising under Italian law or the Company's bylaws on the rights of nonresident or foreign persons to hold or vote the shares other than those limitations that apply generally to all shareholders. Shareholders are entitled to attend and vote at ordinary and extraordinary shareholders' meetings. Each holder will be entitled to cast one vote for each Ordinary Share held. Votes may be cast personally or by proxy (as described above). However, the voting rights of shares held in breach of applicable law may in some cases not be exercised (as described above).

Ordinary Shareholders' Meetings

Ordinary shareholders' meetings must be convened at least once a year. Article 12 of the Company's bylaws prescribes that an ordinary shareholders' meeting must be called within 120 days or, where special circumstances require it, within 180 days of the end of the Company's fiscal year; if the meeting is called within 180 days, the directors shall give the reasons for the delay in the directors' report included in the year-end financial statements. At this meeting, the annual unconsolidated financial statements of the Company are submitted for shareholder approval. The ordinary shareholders' meetings also approve the distribution of dividends, if any, appoint directors, statutory auditors and external auditors and decide their remuneration, vote on directors' and statutory auditors' liability, approve the regulation for shareholders' meetings and decide on any other business matter submitted to the vote of the shareholders under applicable law and the bylaws.

The quorum required for shareholder action at an ordinary shareholder's meeting on first call is at least 50% of the total number of issued Ordinary Shares with voting rights represented at that meeting, while on second or third call there is no quorum requirement. In all cases, resolutions may be approved by holders of the absolute majority of the Shares present or represented at the meeting.

Extraordinary Shareholders' Meetings

Extraordinary shareholders' meetings may be called to resolve upon, among other things, proposed amendments to the bylaws, mergers and demergers, spin-offs, capital increases and reductions and transfer of the Company's corporate headquarters within Italy. The quorum required for shareholder action at an extraordinary shareholders' meeting on first call is at least 50%, on second call is more than one-third, and on third call at least one-fifth of our issue shares. In accordance with applicable Italian law, resolutions at the extraordinary meeting, on first, second or any other successive calls may be adopted by the affirmative vote of holders of at least a majority of the Ordinary Shares represented at such meeting.

Preemptive Rights

New issuances of Shares or other classes of capital stock may be authorized by a shareholder's resolution passed at an extraordinary shareholders' meeting. Pursuant to Italian law, shareholders (and holders of convertible bonds) are entitled to subscribe for new issues of: (i) Ordinary Shares; (ii) debt instruments convertible into ordinary shares; and (iii) any other instruments such as warrants, rights or options entitling the holder to acquire Shares, in each case in proportion to their respective shareholdings.

Subject to certain conditions and special voting majorities principally designed to prevent dilution of the rights of shareholders these preemptive rights may be waived or limited in whole or in part for all such shareholders for any particular issue of such securities, but only by resolution adopted at an extraordinary meeting with the affirmative vote of shareholders representing more than 50% of the outstanding shares, even if such vote is taken at a shareholders' meeting held on second or third call and provided that our interest so requires. In any event such preemptive rights will not apply where the increase in share capital is to be subscribed through a contribution in kind.

Preemptive rights can also be limited when the newly issued Ordinary Shares are offered for subscription to the Company's employees or employees of its subsidiaries or of its parent company. Pursuant to Italian law, resolutions that exclude preemptive rights for less than one quarter of the newly issued Ordinary Shares must be adopted at an extraordinary meeting with the required majorities. When the exclusion of preemption rights relates to more than one quarter of the newly issued Ordinary Shares, the relevant resolution must be adopted with the affirmative vote of shareholders representing more than 50% of the outstanding Ordinary Shares, even if such vote is taken at a shareholders' meeting held on the second or third call.

Dividends

Pursuant to Italian law, before paying dividends 5% of the net profit (on an unconsolidated basis) for each year must be set aside to a statutory reserve fund (*riserva legale*). This requirement ceases if this reserve fund, including amounts set aside during prior years, reaches, or is maintained at, 20% of the aggregate par value of a company's share capital. The shareholders may also decide to allocate earnings to reserve funds (distributable earnings). The distributable reserves may be distributed as long as the legal reserve does not fall below the legal minimum as a result of such distribution. Furthermore, Italian law provides that the board of directors may approve the declaration and payment of interim dividends during the course of the fiscal year, while only shareholders may approve the declaration and payment of dividends at the end of the fiscal year. Furthermore, shareholders who received interim dividends in good faith are not obliged to repay such dividends to the Company in the event that, at the end of the fiscal year, the financial accounts of the Company did not warrant the payment of such interim dividends. Dividends are payable on the date specified by the shareholders at the annual meeting. Dividends not claimed within five years from the date upon which they become payable will be forfeited to the Company. For additional information on dividends on ordinary shares, see "Dividends and Dividend Policy."

Dividends are payable to shareholders holding Shares through an intermediary on the dividend payment date declared at the shareholders' meeting. Dividend payments are distributed through Monte Titoli on behalf of each shareholder by the intermediary with which the shareholder has deposited its shares.

Generally, all dividends payable to non-residents of Italy who do not have a permanent residence or organization in Italy to which the shareholding is connected are subject to Italian withholding tax at the rate of 27%, which may be reduced by applicable tax treaties or conventions. See "Dividends and Dividend Policy" and "Tax Considerations—Italian Taxation—Taxation of Dividends." Italian regulations do not contain any specific restrictions on the payment of dividends to nonresidents of Italy.

Liquidation Rights

Under Italian law, and subject to satisfaction of the claims of all other creditors, shareholders are entitled to a distribution of our remaining liquidated assets in proportion to the nominal value of the shares they hold in the Company's share capital. Shareholders of savings or preferred stock, if any such shares were to be issued by the Company, would take priority in such distribution up to the nominal value of such shares. Thereafter, if there are surplus assets, shareholders of ordinary shares are entitled to receive distribution of such surplus assets.

Purchase by the Company of Its Own Ordinary Shares

We may purchase our own shares, subject to certain conditions and limitations imposed by Italian law and provided that the shares are fully paid. Such purchases must be authorized by our shareholders at any ordinary meeting and only paid out of retained earnings or distributable reserves remaining from the last approved unconsolidated financial statements. The nominal value of shares to be repurchased, together with any shares previously owned by us or any of its subsidiaries, may not exceed, except in limited circumstances, in the aggregate 20% of our share capital then issued and outstanding. Repurchased shares in excess of this 20% limit must be resold within one year of the date of purchase or must otherwise be cancelled, and the share capital reduced accordingly. Similar requirements and limitations apply with respect to purchases of our shares by our subsidiaries.

Shares purchased and held by the Company may only be resold pursuant to a shareholders' resolution. The Company is not entitled to vote or to receive dividends on the Ordinary Shares it owns. Neither the Company (except in limited circumstances) nor any of its subsidiaries can subscribe for new Ordinary Shares in the case of capital increases. Ordinary Shares owned by its subsidiaries are not entitled to voting rights but are entitled to receive dividends. Ordinary Shares owned by the Company and its subsidiaries count at shareholders' meetings for quorum purposes. Moreover, the Unified Financial Act provides that the purchase by a listed company of its own shares and the purchase of shares of a listed company by its subsidiaries must take place in a manner that ensures the equality of treatment among shareholders (i) by way of a tender offer, (ii) on regulated markets provided that market rules do not permit the direct matching of buy orders with predetermined sell orders, (iii) by means of the purchase and sale of derivative instruments traded on regulated markets provided that the market rules set forth certain conditions, or (iv) by granting shareholders, in relation to the shares they hold, a put option to be exercised within a period established by the shareholders' meeting that authorized the share purchase program. Subject to certain limitations, the foregoing does not apply to shares purchased by the Company from its employees or employees of its subsidiaries or of its parent companies.

Company and Shareholders' Actions Against the Board of Directors

Pursuant to Article 2393 of the Italian Civil Code, actions against members of the board of directors may be brought by a company pursuant to a resolution adopted by the ordinary shareholders' meeting or pursuant to a resolution adopted by the board of statutory auditors approved by two-thirds of its members. In addition, in the case of listed companies, a shareholders' action may be brought against the board of directors by shareholders representing at least 2.5% of the share capital.

Notification of Acquisition of Shares

Pursuant to the Unified Financial Act and Regulation No. 11971/1999, any person whose aggregate shareholding in a listed company rises above or falls below 2%, or reaches, rises above or falls below 5%, 10%, 15%, 20%, 25%, 30%, 35%, 40%, 45%, 50%, 66.6%, 75%, 90% or 95% of the voting share capital of a company listed in Italy, is obliged to notify CONSOB and the listed company within five business days of the acquisition.

The Unified Financial Act provides that CONSOB is allowed to establish, for a restricted period of time, thresholds lower than 2% for companies that have a current high market value and a broad base of shareholders.

Notification requirements also arise if the foregoing thresholds are breached as a result of a reduction of, or increase in, the company's share capital. For the purpose of calculating the ownership thresholds, ordinary shares owned by any person—irrespective of whether the voting rights are suspended, or exercisable by that person or by a third party—are taken into consideration. Ordinary Shares that the relevant person is entitled to exercise voting rights in respect of are also included. Except in certain circumstances, ordinary shares held through, or ordinary shares for which voting rights are exercisable by, subsidiaries, fiduciaries or intermediaries are included.

Shareholders failing to give notice cannot exercise the voting rights attributable to the Ordinary Shares. Any shareholders' resolution approved in violation of the foregoing may be annulled if it would not have been adopted in the absence of such votes (or on the basis of an action brought by CONSOB).

Regulation 11971/1999 also provides that any person holding less than 2% of the voting share capital of a listed company is subject to a notification obligation when such person is party to a shareholders agreement and, taking into account the holdings of the other parties to the agreement, reaches, exceeds or falls below the 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% thresholds. Such person must disclose, to CONSOB and the listed company in question: (i) the overall number of shares subject to the agreement; (ii) the number of shares directly or indirectly held that are subject to the agreement; and (iii) the number of shares directly or indirectly held that are not subject to the agreement. However, no notice is required if this information has already been given in compliance with other provisions of the Unified Financial Act or of Regulation No. 11971/1999.

Moreover, a listed company that directly or indirectly owns more than 10% of the voting Ordinary Shares of an unlisted company must notify: (i) CONSOB, within 30 days of the approval of the annual financial statements by the board of directors; and (ii) the company whose Ordinary Shares it has acquired and holds within seven days of the acquisition. If such shareholding decreases to less than 10% of the company's share capital, the partially owned company must be notified within seven days of the action that resulted in the decrease of the shareholding.

Notification obligations are also triggered with respect to the holding of financial instruments, which—pursuant to a binding agreement—confer the right to acquire or sell, on the holder's own initiative, Ordinary Shares of a listed company. In particular, any person directly or indirectly holding financial instruments that confer the right to purchase the shares of a listed company ("Potential Holdings"), must disclose such Potential Holding to the company and CONSOB when the shareholding that may be potentially acquired: (i) exceeds or falls below 2%; or (ii) reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75%.

Shares that may be purchased by exercising warrants or other conversion rights are taken into account for determining Potential Holdings only if the purchase can take place within 60 days.

Persons that have a holding or a Potential Holding of more than 2% in a listed company must disclose, to the listed company in question and CONSOB, any financial instruments they may hold, directly or indirectly, that grant the right to sell shares of the Italian issuer of shares, when the shares that may be potentially sold ("**Potential Sales**"): (i) exceed or fall below 2%; or (ii) reach, exceed or fall below 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%.

Netting between Potential Holdings and Potential Sales is not allowed.

When a notification obligation concerning the same material holding applies to both a controlling company and its subsidiary, the latter is exempted from the obligation. Nonetheless, the disclosure obligation can be satisfied by the subsidiary if it provides complete information on the chain of control, including with reference to other shareholdings directly or indirectly held by the controlling entity.

Notification obligations are not triggered when:

- shares are purchased exclusively for clearing and settlement purposes, within a settlement cycle not exceeding three trading days;
- shares are held by depositaries, if voting rights can be exercised only on the basis of written or electronic instructions;
- shares or, Potential Holdings, below the 10% threshold, are purchased or sold by a market maker and certain further conditions are met;
- voting rights pertain to shares held by credit institutions and investment companies in their trading portfolio, as long as: (i) such voting rights do not exceed 5%; and (ii) the credit institution or the investment company ensures that voting rights are not exercised or otherwise used to influence the management of the listed company;
- shares are purchased or sold by the European Central Bank or by National Central Banks of the member States, when exercising their Monetary authority functions;
- under certain circumstances, holdings above 2% and not exceeding 5% are acquired by Italian management companies and UCITS funds.

Specific rules apply to the notification of holdings of management companies and financial intermediaries authorized for asset management. In particular, an entity controlling a management company is not required to cumulate its direct or indirect holdings—effective or potential—to the holdings of the management company, provided that the management company votes the shares held in its portfolio independently from the controlling entity and other controlled entities. The same rules apply to any entity controlling one or more financial intermediaries authorized for asset management, with regard to the holdings of the financial intermediary, if the latter votes the shares independently and on the basis of clients' written or electronic instructions.

Cross-Ownership Restrictions

Cross-ownership restrictions limit the ownership by two companies of each other's shares. Cross-ownership between listed companies in Italy may not exceed 2% of their respective voting shares and cross-ownership between a listed company and an unlisted company may not exceed 2% of the voting shares of the listed company and 10% of the voting shares of the unlisted company. If the relative threshold is exceeded, the second company to exceed the threshold may not exercise the voting rights attributable to the shares in excess of the threshold and must sell the excess shares within one year. If the company does not sell the excess shares within one year, it will not be permitted to exercise voting rights in respect of its entire shareholding. If it is not possible to ascertain which company exceeded the threshold last, the limitation on voting rights will apply to both companies, unless otherwise agreed. The 2% limit for cross-ownership may be increased to 5% on the condition that such limit is only exceeded by the two companies following an agreement authorized in advance by each of the companies' shareholders' ordinary meeting. Furthermore, if a party holds an interest in excess of 2% of a listed company's share capital, such listed company, or the party that controls the listed company, may not purchase an interest above 2% in a listed company controlled by such party. In case of noncompliance with the above, voting rights attributable to the shares held in excess of the applicable limit may not be exercised. If it is not possible to ascertain which company exceeded the limit later, the limitation on voting rights will, subject to contrary agreement between the two parties, apply to both companies. Any shareholders' resolution approved in violation of the limitation on voting rights may be annulled by the relevant court, also at CONSOB's request, if the resolution would not have been adopted in the absence of such votes. The restrictions on cross-ownership are not applicable when the thresholds are exceeded following a public tender offer to acquire at least 60% of a company's Ordinary Shares.

Shareholders' Agreements

In accordance with Italian law, agreements among shareholders of a listed company or of its parent company must be, within five days from the date of execution:

- notified to CONSOB;
- published in summary form in the press;
- filed with the register of enterprises of the place where the company has its registered office; and
- notified to the listed company.

Failure to comply with the above rules will render the agreements null and void and the voting rights of the relative shares unexerciseable. Any shareholders' resolution taken in violation of this limitation on voting rights may be annulled by the relevant court if the resolution would not have been adopted in the absence of such votes. The action may also be brought by CONSOB.

These rules apply to shareholders' agreements which:

- regulate the exercise of the voting rights in listed companies and in their controlling entities;
- require prior consultation for the exercise of voting rights in a listed company or in its controlling companies;
- contain limitations on the transfer of shares or securities which grant the right to purchase or subscribe for shares;
- provide for the purchase of shares or securities which grant the right to purchase or subscribe for shares;
- have as their object or effect the exercise, including joint exercise, of a dominant influence over the company; or
- are aimed at favoring or frustrating a tender offer, including the undertaking not to adhere to the offer.

Disclosure rules on shareholders' agreements apply only to those agreements regarding shares totaling more than 2% of the share capital.

Moreover, the Unified Financial Act provides that the maximum duration of any such shareholders' agreements may be three years or, if no duration is specified in the agreement, that any party may terminate the agreement upon six months' notice. In the case of a public tender offer, any party to the shareholders' agreement that intends to participate in the tender offer may withdraw from the agreement without notice, but the withdrawal notice is ineffective if that shareholder's interest is not subsequently transferred.

Reports to Shareholders

We are required to publish, in Italian, its audited annual unconsolidated financial statements and audited annual consolidated financial statements, all prepared in accordance with IFRS as integrated with International Accounting Standards and in line with CONSOB requirements, accompanied by a directors' report on operations.

The Company is also required to produce unaudited directors' interim financial statements for the first and third quarters of the year, as well as half-yearly financial statements (with auditors' limited review), containing a directors' report on operations.

Pursuant to Article 154-*bis* of the Unified Financial Act, both the annual financial statements (on a consolidated and stand-alone basis), and the half-yearly financial statements shall be accompanied by a declaration of the managing director and of the manager charged with preparing the Company's financial reports regarding, among other things, the suitability of the documents to truthfully and correctly represent the financial position of the issuer and the group of companies included in the scope of consolidation.

Different Classes of Shares

In accordance with Italian law, the Company is permitted to issue different classes of shares, defining the rights to which such shares will be entitled, within the limits of the applicable law. We may issue shares having the right to vote in any shareholders' meeting or only in certain shareholders' meetings or regarding certain matters or under certain conditions, to be defined in the bylaws. We may issue shares having preferential rights with respect to the payment of dividends and to the repayment of capital in the event of liquidation.

Savings Shares

Italian companies which have their shares listed on Borsa Italiana may issue savings shares (*azioni di risparmio*) which carry preferential rights in the payment of dividends, but which have no voting rights except for voting rights at a separate meeting of holders of such savings shares when, among other things, the rights of such shareholders are affected by a decision taken at a shareholders' meeting. As at the date of this Offering Circular, we do not have any issued and outstanding savings shares.

Minority Shareholders' Rights

Any shareholder may challenge any resolution of the board of directors within 90 days of such resolution being passed, if the resolution is prejudicial to the shareholder's rights.

Any shareholder representing 1/1000 of the voting share capital may challenge any shareholders' meeting resolution that contravenes provisions of the bylaws or applicable law within 90 days of its adoption, if (i) the resolution was adopted at a shareholders' meeting not attended by such shareholder, (ii) the shareholder dissented, (iii) the shareholder abstained from voting or (iv) the shareholder purchased the shares between the record date and the beginning of the meeting.

Directors and statutory auditors may also challenge shareholders' resolutions on the basis of their violation of the bylaws or applicable law. Pursuant to Italian law, in case of resolutions approving the delisting of the Company's Shares (as well as in certain other cases set out in the Italian Civil Code), non-consenting shareholders in the categories mentioned in the previous paragraph are given a withdrawal right enabling them to require the Company to redeem their Shares at the average closing market price of the previous six months.

Each of our shareholders may bring to the attention of the board of statutory auditors facts or acts which are deemed wrongful, and the board of statutory auditors shall take into account the complaint in its report to the general meeting. If shareholders representing at least 2% of the Company's share capital bring a matter to the attention of the board of statutory auditors, such board must investigate without delay and report its findings and recommendations at a shareholders' meeting. If there is a basis for suspicion of serious irregularities in the discharge of directors' duties, shareholders representing at least 5% of our share capital have the right to report such major irregularities to the relevant court (and afterwards waive or settle such suits). In addition, shareholders representing at least 2.5% of the Company's share capital may bring derivative suits against directors, statutory auditors and general managers in a competent court. The Company will reimburse the legal costs of the shareholders' action in the event that the shareholders' claim is successful and the court does not award the costs against the directors, statutory auditors or general managers involved, or in the event that such directors, statutory auditors or general managers could not cover such costs. In addition, pursuant to the Unified Financial Act, minority shareholders may, pursuant to the cumulative voting system introduced in the bylaws, appoint a member of the board of statutory auditors. Moreover, the chairman of the statutory auditors shall be appointed from among the auditors appointed by the minority shareholders.

Italian Tender Offer Rules

Under the Unified Financial Act, a public tender offer must be made by any person who, by reason of purchases of shares for consideration, directly or indirectly or acting in concert with other persons, holds more than 30% of the voting share capital (to be calculated (i) excluding any treasury shares held, directly or indirectly, by the company with certain exceptions, and (ii) including certain derivatives instruments, as provided by CONSOB Regulation No. 11971/99) of a company listed on an Italian regulated market. The tender offer must cover all remaining outstanding shares of the company. Under CONSOB rules, a tender offer must also be launched by any person who owns more than 30% of the voting share capital (to be calculated (i) excluding any treasury shares held, directly or indirectly, by the company with certain exceptions, and (ii) including certain derivatives instruments, as provided by CONSOB Regulation No. 11971/99) without at the same time exercising majority voting rights at an ordinary shareholders' meeting and purchases or acquires by way of acquisition or exercise of subscription or conversion rights during a twelve month period more than 5% of the share capital of such company. The tender offer must be launched within 20 days of the date on which the 30% threshold was exceeded, at a price not lower than the highest price paid by the offeror for any purchase of the company's shares of the same class during the previous twelve months. If during the same period no purchase of shares takes place for consideration, the offer must be launched at the weighted average market price of the company's shares of the same class in the previous twelve months or, if the company's shares have been trading for less than twelve months, at the weighted average market price of such shorter period of time. However, pursuant to the Unified Financial Act and CONSOB Regulation No. 11971/99, CONSOB may authorize or impose the launch of a mandatory tender offer at a different price in certain circumstances.

Under certain circumstances, notwithstanding the purchase of a company's shares in excess of the threshold amount, the Unified Financial Act and CONSOB Regulation No. 11971/99, as amended, establish various exemptions from the duty to launch a tender offer, including the following:

- another shareholder or other shareholders, collectively, exercise(s) the majority voting rights at an ordinary shareholders' meeting;
- the threshold is exceeded as a result of a transfer between companies in which the same person or persons hold, also separately or jointly and directly or indirectly through a subsidiary company within the meaning of Article 2359, first paragraph, point 1, of the Civil Code, the majority of voting rights exercisable in the ordinary shareholders' meeting, or is exceeded as a result of a transfer between a company and such persons;
- the threshold is exceeded in the context of the recapitalization of a listed company or another measure having the aim of rescuing a company in certified situation of financial crisis, after notifying both CONSOB and the market;
- the threshold is exceeded as a result of mergers and demerger transactions, approved by the shareholders of the target company on the basis of effective and justified industrial needs;
- the threshold is exceeded as a result of the exercise of the preemptive, subscription or conversion rights as originally granted; and
- the threshold is exceeded by no more than three percent and the purchaser undertakes to sell such excessive shareholding within twelve months without exercising the relevant voting rights.

Italian law further provides that the acquisition of an interest in excess of 30% of the share capital of a company does not trigger the obligation to launch a 100% tender offer, if the person concerned has exceeded the threshold as a result of either:

- a public tender offer launched for 100% of the ordinary share capital of the company; or
- a public tender offer launched for at least 60% of the ordinary share capital of the company, if:

(i) the validity of the bid is subject to approval of a number of shareholders which together possess the majority of the securities concerned, excluding securities held by the bidder, the major shareholder, also in relative terms, if that shareholding exceeds ten per cent, and by persons acting in concert with the bidder;

(ii) the offeror (its subsidiaries, controlling persons, related companies and other persons connected to it by virtue, among others, of shareholders' agreements) has not acquired more than 1% of the Ordinary Shares of the company in the twelve months before notifying CONSOB or during the offer; and

(iii) CONSOB, after having received satisfactory evidence that the terms under (i) and (ii) have been complied with, has ruled that a mandatory bid need not be made.

After such offer has been completed, the offeror nevertheless becomes obliged to launch an offer for 100% of the share capital if, during the subsequent twelve months, either:

- it (or its affiliates, subsidiaries, directors, officers or any of the shareholders with which it has entered into a shareholders' agreement) purchases more than 1% of the share capital of the company; or
- the shareholders of the company approve a merger or demerger.

Further, (i) anyone holding more than 90% of a class of voting shares of an Italian listed company must purchase all the remaining shares of such class upon the holder's request, unless it restores an adequate free float within 90 days so as to ensure proper trading, and (ii) any person holding at least 95% of a class of voting shares of an Italian listed company as a result of a tender offer over 100% of the voting securities must purchase all of the remaining shares of that class upon the holders' request.

In the case of (ii) above—and also in the case of (i) above where the interest is purchased exclusively through a tender offer relating to 100% of the voting shares—the purchase price shall be the same as in the prior offer provided in each case that, in a voluntary offer, at least 90% of the voting shares targeted have been tendered in the offer. Otherwise, the price is determined by CONSOB, taking into account the price offered in a prior tender offer, if any, or the market price of the shares during the previous six months.

Any shareholder holding more than 95% of the ordinary share capital of a listed company pursuant to a tender offer involving all the voting shares issued by the company has the right to obtain title to the remaining voting shares within three months after the end of the tender offer, if it has stated its intention to make such an acquisition in the offer document, at a price determined as indicated in the above paragraph.

The voting rights relating to all the shares held by a person who has not complied with these rules, cannot be exercised, and the number of shares exceeding the relevant threshold must be sold within twelve months. In the event of non-compliance with such provisions, a shareholders' resolution passed with the votes relating to such shares may be challenged by the shareholders or CONSOB if it would not have been passed without such votes.

Liability for Mismanagement of Subsidiaries

Under Article 2497 of the Italian Civil Code, companies and other entities that, acting in their own interest or the interest of third parties, mismanage a company subject to their direction and coordination powers are liable to such company's shareholders and creditors for ensuing damages. This liability is excluded if (i) the ensuing damage is fully eliminated, including through subsequent transactions, or (ii) the damage is effectively offset by the global benefits deriving in general to the company from the continuing exercise of such direction and coordination powers. Direction and co-ordination powers are presumed to exist, among other things, with respect to consolidated subsidiaries.

DIVIDENDS AND DIVIDEND POLICY

This summary contains all the information which we consider to be material regarding dividends, if any, payable by us but does not purport to be complete and is qualified in its entirety by reference to our bylaws or Italian law and regulations, as the case may be.

General

In accordance with Italian law, payment of annual dividends by us may be made out of our distributable profits and reserves on an unconsolidated basis for each relevant year pursuant to a resolution of the board of directors. Any such resolution is subject to approval by our shareholders at an annual general meeting, which must be convened for the approval of our annual financial statements within 120 or 180 days after the end of the financial year to which such financial statements relate.

Mandatory reserves

The payment of any annual dividend by us is proposed by the board of directors and is subject to the approval of the shareholders at the annual shareholders' meeting. Before dividends may be paid out of our unconsolidated net income in any year, an amount equal to 5% of such net income must be allocated to our legal reserve (*riserva legale*) until such reserve is at least equal to one-fifth of the par value of our issued share capital. If our capital is reduced as a result of accumulated losses, dividends may not be paid until the capital is reconstituted or reduced by the amount of such losses. The board of directors may authorize the distribution of interim dividends, subject to certain limitations.

Repayment and Prescription

Any annual dividends declared by us are paid in compliance with applicable laws. Shareholders will not be required to repay us annual dividends paid on the basis of duly approved financial statements, if the shareholders collected such dividends in good faith. Dividends not collected within five years from the date they become payable will be forfeited in our favor and will be added to its reserves.

Manner and Time of Payment

Any dividends we declare are paid to shareholders through Monte Titoli S.p.A. or such other authorized centralized securities custody and administration systems with which the intermediaries instructed by the shareholders have deposited their shares, in accordance with Legislative Decree 213/1998 and the Regulation of the Bank of Italy and CONSOB of February 22, 2008.

Taxation

Dividends payable in our Ordinary Shares to individuals or entities not resident in the Republic of Italy will be subject to Italian substitutive tax, which may be reduced pursuant to tax treaties or conventions, subject to certain conditions and fulfillments.

Pursuant to applicable Italian law, in connection with the payment of dividends, Italian companies such as ours are required to supply to the Italian tax authorities certain information. See "Tax Considerations—Italian Taxation—Taxation of Dividends."

For a discussion of U.S. taxation, see "Tax Considerations—U.S. Federal Income Tax Considerations."

Dividend Policy

We have paid dividends in the past. On December 14, 2010, a shareholders' meeting of the Company declared a dividend amounting to €15.1 million, of which €7.4 million was for preferred shares (equivalent to €0.092 per share) and €7.6 million was for Ordinary Shares (equivalent to €0.087 per share). On March 30, 2011, a shareholders' meeting of the Company declared a dividend amounting to € 24.0 million, of which €11.7 million was for preferred shares (equivalent to €0.145 per share) and €12.3 million was for Ordinary Shares (equivalent to €0.140 per share). This dividend was paid on April 29, 2011. See "Capitalization."

The Selling Shareholder and MHL have agreed to implement a dividend policy in line with those of comparable companies. See "Selling and Principal Shareholders—Agreement between the Selling Shareholder and Majestic Honour Limited."

Our Ordinary Shares will be eligible for all dividends, if any, declared and payable in respect of the year ended December 31, 2011. The declaration, amount and payment of cash dividends in respect of 2011 and future years will depend on our earnings, financial condition, capital requirements, and general business conditions.

Even though we intend to pay dividends in the future, we cannot assure you that we will make such dividend declarations nor assure you of the amount of any such future dividend. The payment of future dividends, if any, and the amounts thereof, will depend upon a number of factors including, but not limited to, the amount of our distributable profits and reserves on an unconsolidated basis, our capital expenditure and investment plans, earnings, level of profitability, limitations on the payment of dividends contained in our financing agreements, which restrict dividend distributions during an event of default, applicable restrictions on the payment of dividends under Italian law, the level of dividends paid by other comparable listed companies in Italy and elsewhere and such other factors as our board of directors may deem relevant. As a result, our ability to pay dividends in the future may be limited or our dividend policy may change.

SECURITIES TRADING IN ITALY

The Italian securities market

Equity and convertible bond in the Italian market are traded on the MTA, the Italian automated screen-based trading market.

The MTA is organized and administered by Borsa Italiana and is subject to the supervision and control of CONSOB, which is responsible, among other things, for regulating investment companies, securities markets and public offerings of securities in Italy to ensure the transparency and regularity of dealings and to protect investors.

Borsa Italiana is a joint stock corporation that is responsible for the organization and management of the Italian-regulated financial markets (including the MTA). Since January 2, 1998, Borsa Italiana has been responsible for, *inter alia*:

- defining and organizing the functioning of the markets it operates;
- defining the rules and procedures for admission and listing on the market for issuing companies; and
- managing and overseeing the markets.

The Shareholders of Borsa Italiana are primarily issuing companies as well as domestic and international intermediaries, including the most important Italian banks.

The Unified Financial Act provides (with minor exceptions) that only registered securities dealers and banks may trade equity securities, as well as engage in any other investment services with the public. Banks and investment services firms incorporated in an EU member state are permitted to operate in Italy provided that the intent of the bank or investment services firm to operate in Italy is communicated to, respectively, CONSOB and the Bank of Italy by the competent authority of the member state in which they are established. Non-EU banks and non-EU investment services firms may operate in Italy after receiving the approval of CONSOB and the Bank of Italy, respectively.

The legal framework of securities trading in Italy has been reformed by Legislative Decree No. 164 of September 17, 2007, as amended (the "**MiFID Decree**"), which implemented Directive 2004/39/EC, Directive 2006/73/EC and Regulation (EC) No. 1287/2006 (together called the "**MiFID Directive**"). This major reform of Italian securities trading especially focused on the pre-trade and post-trade transparency requirements for equity securities, which now apply both to trading on the mainstream regulated exchanges, but also to trading in alternative venues or through other systems that are functionally similar to exchanges.

Clearance and settlement in Italy

The settlement of stock exchange transactions is carried out by Monte Titoli S.p.A., a centralized securities clearing system owned by Borsa Italiana. Almost all Italian banks and certain Italian securities dealers have securities accounts with Monte Titoli and act as depositaries for investors. Beneficial owners of shares may hold their interests through deposit accounts with any depositary having an account with Monte Titoli.

Under Italian law, shareholders are unable to obtain physical delivery of share certificates representing their shares in Italian-listed companies. However, the beneficial owners of shares held by Monte Titoli may transfer their shares, collect dividends, create liens and exercise other rights with respect to those shares through these accounts.

Participants in Euroclear and Clearstream, Luxembourg may hold their shares interests, transfer their shares, collect dividends, create liens and exercise other rights with respect to the shares through Euroclear or Clearstream, Luxembourg respectively. Holders of Ordinary Shares may request Euroclear or Clearstream, Luxembourg to transfer their shares to an account set up for such holders with an Italian bank or any authorized broker having an account with Monte Titoli.

Market regulations

The Italian financial markets are primarily regulated by the Unified Financial Act that implements EU Directives related to financial markets, banking and investment business, namely the MiFID Directive (which replaced the Investment Services Directive) and Directive 2006/48/EC and Directive 2006/49/EC (which replaced the Capital Adequacy Directive).

A three-day rolling cash settlement period applies to all trades of equity securities in the Republic of Italy. Any person, through an authorized intermediary, may purchase or sell listed securities following (i) in the case of sales, deposit of the securities; and (ii) in the case of purchases, the deposit of 100% of their value in cash or deposit of listed securities. No "closing price" is reported for the electronic trading system, but (i) an "official price" is calculated for each security as a weighted average of all trades effected during the trading day, and (ii) a "reference price" is also calculated for each security equal to the closing-auction price.

If an opening price of a security (established each trading day prior to the commencement of trading based on bids received) differs by more than a certain amount established by Borsa Italiana from the previous day's reference price, trading in that security will be suspended by Borsa Italiana. If in the course of a trading day the price of a security fluctuates by more than a certain amount established by Borsa Italiana from the last reported price or from the previous day's reference price, an automatic ten-minute suspension is declared. In the event of such a suspension, orders already placed may not be modified or canceled, and new orders may not be processed. Borsa Italiana has the authority to suspend trading of any security in response to extreme price fluctuation or for other reasons.

The United Financial Act provides that CONSOB may prohibit the implementation of admission and exclusion decisions or order the revocation of a decision to suspend financial instruments or intermediaries from trading within five days of receiving the relevant notification if, on the basis of the information in its possession, it considers the decision to be contrary to the transparency of the market, the orderly conduct of trading and the protection of investors. CONSOB may request Borsa Italiana to: (i) provide it all the information it considers necessary for such purposes and (ii) exclude or suspend financial instruments or intermediaries from trading.

EXCHANGE CONTROLS

The following discussion of exchange controls in Italy summarizes relevant Italian laws in force at the date hereof, but does not purport to be a comprehensive description of all exchange control considerations that may be relevant to a decision to purchase the Ordinary Shares offered hereby.

In Italy, there are no exchange controls restricting the rights relating to the ownership of shares. Residents of Italy may hold foreign currencies and foreign securities of any kind, both within and outside Italy. Non-residents may invest in Italian securities without restriction and may transfer to and from Italy cash, in both foreign currencies and Euro, credit instruments and securities, representing interest payments, dividends, other asset distributions and disposition proceeds.

Certain procedural requirements are imposed by Italian laws, however. Such laws require that transfers into or out of the Republic of Italy of cash or securities in excess of Euro 5,000 be effected by residents or non-residents via credit institutions and other authorized intermediaries. Suspect transactions must be reported in writing to the Financial Intelligence Unit of the Bank of Italy by the credit institutions and other authorized intermediaries that are requested to effect such transactions in the Republic of Italy. In addition, credit institutions and other intermediaries effecting such transactions in the Republic of Italy on behalf of residents of the Republic of Italy or non-residents are required to maintain records of such transactions for ten years, which may be inspected at any time by Italian tax and judicial authorities. Non-compliance with these reporting and record-keeping requirements may results in administrative fines, or, in the case of false reposting and in certain case of incomplete reporting, criminal penalties. Upon the verification of certain conditions, the Financial Intelligence Unit of the Bank of Italy may make use of the data received and transfer the data to other government offices, to police money laundering departments or operational tax evasion departments ("*nuclei operative della guardia di finanza*").

Individuals, non-profit entities and partnerships that are Italian residents must disclose on their annual tax filings all investments and financial assets held outside Italy, as well as the total amount of transfers to, from, within and between countries other than Italy relating to such foreign investments or financial assets, even if at the end of the taxable period such persons no longer owned such foreign investments or financial assets. No such disclosure is required with respect to foreign investments or financial assets that are exempt from income tax, or if withholding tax in Italy has already been paid. Such disclosure requirement does not apply if the total value of the investments and assets at the end of the taxable period or the total amount of the transfers effected during the year is not greater than €10,000. Corporate residents of Italy are exempt from such disclosure requirements with respect to their annual tax filings since this information must be disclosed in their financial statements.

We cannot assure you that the present regulatory environment within or outside Italy will endure or that certain policies presently in effect will be maintained. However, Italy is required to maintain certain regulations and policies by virtue of its membership in the EU and other international organizations, as well as by its adherence to various bilateral and multilateral agreements.

TAXATION OF ORDINARY SHARES

This taxation summary solely addresses certain material Italian and U.S. federal income tax consequences to shareholders in connection with the offering of our shares. This summary does not discuss every aspect of taxation that may be relevant to a shareholder or that may be relevant to a particular taxpayer under special circumstances or who is subject to special treatment under applicable law and is not intended to be applicable in all respects to all categories of investors.

This taxation summary assumes that we are organized and that our business will be conducted in the manner outlined in this Offering Circular. Changes in our tax residence, organizational structure or the manner in which we conduct our business may invalidate this summary.

The statements herein regarding taxation are based on the laws in force in the Republic of Italy or the United States, as the case may be, as at the date of this Offering Circular, which are subject to changes that may have a retroactive effect. A change to such laws may invalidate the contents of this summary, which will not be updated to reflect changes in laws.

Law No. 80 of April 7, 2003 for the reform of the Italian tax system has empowered the Italian Government to introduce—within a two-year period—a general reform of the tax regime of financial income and of taxation of individuals and corporations that may impact on the current tax regime in respect of the shares, as summarized below. Part of this reform has been enacted by Legislative Decree No. 344 of December 12, 2003, effective as at January 1, 2004 (''Decree 344''). Holders therefore should consult their own tax advisors regarding possible changes in applicable law and practice occurring after the date of this Offering Circular.

Prospective investors should consult their tax advisors regarding their particular personal tax consequences of acquiring, owning and disposing of shares.

Italian Taxation

Taxation of dividends

The current tax treatment of dividends provided for by Presidential Decree No. 917 of December 22, 1986 (''**ITC**'') and Presidential Decree No. 600 of September 29, 1973 (''**Decree No. 600**''), both as amended and restated, can be summarized as follows.

Italian resident shareholders

When the shareholder is an Italian resident individual not engaged in a business activity to which the shares are effectively connected, dividends paid on Ordinary Shares that are registered in the centralized deposit system managed by Monte Titoli (such as the shares of the Company), not representing a ''qualified'' participation, are subject to a substitute tax (''*imposta sostitutiva*'') applied at a final rate of 12.5%. The shareholders are not required to report the dividends on their respective annual income tax return.

As regards the Company, following the listing of its shares, a participation in the Company will be defined as ''qualified'' if the shares (other than savings shares), securities and/or rights through which shares may be acquired, held by a person amount to (i) more than 2% of the shares with voting rights in the ordinary shareholders' meeting, or (ii) more than 5% of the share capital.

The above-mentioned 12.5% *imposta sostitutiva* does not apply if an individual shareholder resident in Italy declares in a timely manner upon collection of a dividend that the dividend is connected (i) with a business activity in which the individual is engaged or (ii) with a ''qualified'' participation in the Company (as defined above) held by the individual.

Dividends paid to an individual shareholder resident in Italy (i) on shares representing a ''qualified'' participation in the Company (even if not held in connection with a business activity), or (ii) on shares (either representing a ''qualified'' or a ''non-qualified'' participation in the Company) held in connection with a business activity, contribute to determine the overall taxable income of the recipient for personal income tax purposes (''**IRPEF**''), limited to 49.72% of the amount thereof.

Dividends paid to Italian residents who are exempt from corporate income tax are subject to a 27% final substitute tax.

The substitute tax on dividends on shares, where applicable, is collected by the Italian resident intermediary with which the shares are deposited that participates in the Monte Titoli system, or by non-resident intermediaries participating in the Monte Titoli system (directly or through a non-Italian centralized deposit system in turn participating in the Monte Titoli system), through a fiscal representative to be appointed in Italy.

The 12.5% substitute tax regime described herein does not apply where shares representing a "non-qualified" participation which is not held in connection with entrepreneurial activity are held in a discretionary investment portfolio managed by an authorized intermediary pursuant to the so-called discretionary investment portfolio regime provided for by Article 7 of Legislative Decree November 21, 1997, No. 461, as amended ("*Risparmio Gestito*" regime as described under "Capital Gains," below). In such a case, dividends will not be subject to substitute tax, but will contribute to determine the annual net accrued result of the portfolio, which is subject to an ad hoc substitute tax of 12.5%.

In addition to the foregoing, the tax regime described above does not apply to the following subjects:

(i) Partnerships and similar entities—Dividends received by partnerships and similar entities that are resident in Italy for tax purposes are not subject to any withholding and/or substitute tax and are included in the entity's total income for 49.72% of the dividend amount (for profits realized starting from the 2008 fiscal year for companies with a calendar year);

(ii) Corporate investors—Dividends paid to Italian resident corporations or similar commercial entities (including a permanent establishment in Italy of foreign entities to which the shares are effectively connected), are not subject to withholding tax and/or substitute tax and contribute to determine the overall taxable business income for the recipient for corporate income tax ("IRES," currently applying at a rate equal to 27.5%) purposes, for 5% of the amount thereof. For certain companies (e.g. banks and other financial intermediaries) dividends are also subject to IRAP in accordance with Article 6 of Legislative Decree December 15, 1997, N. 446, for 50% of the amount thereof;

(iii) Investment funds—Italian investment funds (which includes *Fondo Comune d'Investimento in Valori Mobiliari, or Società di Investimento a Capitale Variabile*—SICAV), as well as Luxembourg investment funds regulated by article 11-bis of Law Decree No. 512 of September 30, 1983 (collectively, "Funds"), are subject to a 12.5% substitute tax on their annual net accrued result or to a 27% substitute tax by art. 8 of Legislative Decree No. 505/1999 (please note that such tax provision is abrogated starting from July 1, 2011). Dividends distributed by the Company to Funds will contribute to determine such yearly net accrued result. Starting from July 1, 2011, the tax regime of investment funds will change, but dividends paid to them still remain exempt from withholding tax;

(iv) Pension funds—Italian pension funds, subject to the tax regime set forth by Legislative Decree No. 252 of December 5, 2005 ("**Pension Funds**"), are subject to an 11% substitute tax on their annual net accrued result. Dividends distributed by the Company to Pension Funds will be included in the calculation of such annual net accrued result; and

(v) Real estate investment funds—Pursuant to Decree 269, starting from January 1, 2004, Italian real estate investment funds ("**Real Estate Funds**") are exempt from tax and, subject to certain exceptions, Article 41-bis, paragraph 9 of Decree 269 has also introduced a 20% withholding tax applicable in certain cases on proceeds from the participation in Italian Real Estate Funds.

Non-Italian resident shareholders

Dividends paid on Ordinary Shares that are registered in the centralized deposit system managed by Monte Titoli (such as our shares) to non-resident shareholders without a permanent establishment in Italy to which the shares are effectively connected are subject to a 27% final substitute tax (12.5% on savings shares).

The substitute tax is not applied on dividends received by international entities or institutions that are exempt from Italian taxation pursuant to international law or agreements entered into force in Italy.

Under domestic Italian law, provided that an ad hoc refund procedure is duly and timely implemented according to the conditions and terms established by law, non-resident shareholders without permanent establishments in Italy to which the shares are effectively connected who own shares other than savings shares, may recover from the Italian tax authorities up to 4/9 of the Italian substitute tax withheld on dividends by providing evidence of full payment of income tax on such dividends in their country of residence in an amount at least equal to the total refund claimed. Expenses and extensive delays have been encountered by non-residents seeking refunds from the Italian tax authorities.

As an alternative to such refund procedure, reduced rates of substitute tax on dividends may apply to non-resident shareholders without a permanent establishment in Italy to which the shares are effectively connected, who are entitled to, and promptly comply with, procedures for claiming benefits under a double taxation prevention treaty entered into by Italy with the non-resident shareholders' country of residence (each, a "**Treaty**"). Italy has entered into Treaties with over 60 foreign countries, including all members of the EU, Argentina, Australia, Brazil, Canada, Japan, New Zealand, Norway, Switzerland, the United States and some countries in Africa, the Middle East and the Far East. It should be noted, however, that tax relief is not available under most Treaties, unless otherwise specifically provided, to a non-resident beneficial owner that is a tax-exempt entity or, with a few exceptions, a partnership or a trust.

In order to enable a non-resident shareholder to obtain the reduced rate of substitute tax pursuant to an applicable Treaty, the intermediary with whom the shares are deposited, who is required to apply the substitute tax, must be provided in a timely manner with:

(a) a declaration from the beneficial owner that contains all the data that identifies such person as being the beneficial owner of the shares and indicates the existence of the conditions necessary for the application of the Treaty, as well as the elements that are necessary in order to determine the applicable Treaty tax rate; and

(b) a certification by the tax authorities of such beneficial owner's country of residence stating that the beneficial owner is a resident of that country for purposes of the applicable Treaty. This certification is valid until March 31 of the year following submission.

Alternatively, the non-resident shareholder may receive a refund of the part of the withholding tax applied in excess of the maximum rate applicable under the Treaty.

The substitute tax on dividends on shares paid to non-Italian resident shareholders, where applicable, at a rate of 27% or at a reduced rate under the Treaties entered into by Italy, is collected by the Italian resident intermediary with which the shares are deposited that participates in the Monte Titoli system, or by nonresident intermediaries participating in the Monte Titoli system (directly or through a non-Italian centralized deposit system in turn participating in the Monte Titoli system), through a fiscal representative to be appointed in Italy.

According to article 27-ter of Decree No. 600, the intermediary with whom the shares are deposited can be (i) an Italian resident intermediary that participates in the Monte Titoli S.p.A. system pursuant to the CONSOB regulation issued on the basis of provisions contained in article 10 of Law No. 289 dated June 19, 1986, such as an Italian resident bank or an Italian resident broker, or (ii) a non-Italian resident intermediary participating in the Monte Titoli S.p.A. system (directly or through a non-Italian centralized deposit system in turn participating in the Monte Titoli S.p.A. system), through a fiscal representative to be appointed in Italy.

Dividends paid to companies resident for tax purposes in an EU Member State or in a EEA Member State are subject to a withholding tax levied at 1.375% provided that (a) the relevant country of residence is also included in the list to be issued by the Ministry of Finance pursuant to art. 168-bis of ITC, and (b) are therein subject to taxation.

According to article 27-bis of Decree No. 600, under certain circumstances, dividends paid to EU companies holding at least the 10% of a company's share capital could be exempted from withholding tax.

Capital gains

Italian resident shareholders

In general, pursuant to Legislative Decree No. 461 of November 2, 1997, as amended, the capital gains tax ("**CGT**") regime is applicable to capital gains realized through the disposal and/or the redemption of shares (and/or the rights through which shares may be acquired) constituting the disposal of a "non-qualified" participation by Italian resident individuals (not engaged in a business activity to which such shares are effectively connected) and certain other persons, regardless of whether such shares are held outside Italy. As a general rule, CGT is levied at a rate of 12.5%, on capital gains realized upon disposal of a "non-qualified" participation. Capital gains realized by the aforesaid persons on the disposal of shares representing the disposal of a "qualified" participation contribute to determine the overall taxable income of such persons for IRPEF purposes, limited to a maximum of 49.72% of the amount thereof.

The disposal of a "qualified" participation in a corporation listed on a regulated market is deemed to occur when a beneficial owner:

(i) owns shares (other than saving shares), securities and/or rights through which shares may be acquired representing, in the aggregate, a "qualified" participation as defined under "—Taxation of dividends—Italian resident shareholders," above, and

(ii) in any twelve month period following the date the ownership test under (i) is met, such beneficial owner engages in the disposal of shares, securities and/or rights through which shares may be acquired that individually or in the aggregate constitute a "qualified" participation, as defined under "—Taxation of dividends—Italian resident shareholders," above.

Taxpayers can opt for one of the three following regimes in order to pay the 12.5% CGT on capital gains realized upon the disposal of a "non-qualified participation":

(i) Tax return regime ("*Regime della Dichiarazione*"): the holder of the shares will have to assess the overall capital gains realized in a certain fiscal year, net of any relevant incurred capital losses, in his annual income tax return and pay the CGT so assessed together with the income tax due for the same fiscal year. Losses exceeding gains can be carried forward against capital gains of the same kind realized in each of the following four fiscal years. As such regime constitutes the ordinary regime, the taxpayer must apply it whenever he does not opt for any of the two other regimes described below;

(ii) Non-discretionary investment portfolio regime ("*Risparmio Amministrato*"): the holder of the shares may elect to pay CGT separately on capital gains realized on each sale, transfer or redemption of the shares. Such separate taxation of capital gains is allowed subject to (a) the shares being deposited with Italian banks, SIMs or other authorized intermediaries and (b) an express election for the *Risparmio Amministrato* regime provided for by Article 6 of Legislative Decree No. 461/1997 in a timely manner in writing by the relevant shareholder. The *Risparmio Amministrato* lasts for the entire fiscal year and, unless revoked prior to the end of such year, will be deemed valid also for the subsequent fiscal year. The intermediary is responsible for accounting for CGT in respect of capital gains realized on each sale, transfer or redemption of the shares, as well as in respect of capital gains realized at the revocation of its mandate. Where a particular sale, transfer or redemption of the shares results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realized on assets held by the holder of the shares with the same intermediary, within the same deposit relationship, in the same fiscal year or in the following four fiscal years; Under the *Risparmio Amministrato* regime, the holder of the shares is not required to declare the gains in its annual income tax return and remains anonymous; and

(iii) Discretionary investment portfolio regime ("*Risparmio Gestito*"): if the shares are part of a portfolio managed by an Italian asset management company and option is made for the *Risparmio Gestito* regime provided for by Article 7 of Legislative Decree No. 461/1997, capital gains will not be subject to CGT, but will contribute to determine the annual net accrued result of the portfolio. Such annual net accrued result of the portfolio, even if not realized, is subject to an ad hoc 12.5% substitute tax, required to be applied on behalf of the holder of the shares by the asset management company. Any losses of the investment portfolio accrued at year-end may be carried forward against net positive results accrued in each of the following fiscal years, up to the fourth following fiscal year. Under such regime, the holder of the shares is not required to declare the gains in its annual income tax return and remains anonymous.

Commercial partnerships and similar entities

Capital gains on shares realized by Italian resident partnerships are included in taxable income and are subject to ordinary taxation. However, if the conditions specified below in "—Companies and commercial entities" are satisfied, capital gains are included in taxable income for 49.72% of the amount of the capital gain.

Companies and commercial entities (including banks and insurance companies)

Capital gains realized by Italian resident companies and commercial entities (including a permanent establishment in Italy of a foreign entity to which the shares are effectively connected) on the disposal or redemption of the shares will form part of their aggregate business income subject to IRES. Banks and insurance companies may be subject to an additional local tax ("**IRAP**"), at the relevant applicable rate. The capital gains are calculated as the difference between the sale price and the relevant tax basis of the shares. Upon fulfillment of certain conditions, the gains may be taxed in equal installments over up to five fiscal years.

However, pursuant to Decree 344, starting from the fiscal year commencing on or after January 1, 2004, capital gains realized by Italian resident corporate entities (including permanent establishments in Italy of foreign entities to which the shares are effectively connected) on a disposal of participations do not contribute entirely to determine their taxable income for IRES purposes but are 95% exempt from taxation, provided that the following conditions are met: (i) the participation is accounted for as fixed asset (*immobilizzazioni finanziarie*) in the first financial statements closed during the holding period; (ii) the participation is held at least starting from the first day of the twelfth month preceding the disposal; and (iii) the company in which the participation is held carries on an actual business activity and is not resident in a tax haven jurisdiction, in both cases, without interruption starting from at least the beginning of the third fiscal year prior to the disposal, unless the company in which the participation is held is listed on a regulated market (including the MTA), in which case this condition (iii) does not apply.

Funds

Capital gains on shares held by Funds will contribute to determine the annual net accrued results of those Funds, which are subject to a 12.5%.

However, Funds with less than 100 participants (no more than 50% of which are certain "qualified" entities) that hold qualified participations (participations representing more than 10% of voting shares in a company listed on a regulated market) are subject to a higher 27% substitute tax on the portion of their annual net accrued results attributable to such qualified participations.

Pension funds

Capital gains on shares held by Pension Funds will contribute to determine the annual net accrued results of those Pension Funds, which are subject to an 11% substitute tax (see "—Taxation of dividends— Italian resident shareholders" above).

Real estate funds

The same considerations as set out under "—Taxation of dividends—Italian resident shareholders" above, will apply.

Non-Italian resident shareholders

Capital gains realized by non-resident holders, whether individuals or corporations, without a permanent establishment in Italy to which the shares are effectively connected, on a disposal of shares that constitutes the disposal of a "non-qualified" participation, as defined above, are not subject to tax in Italy, regardless of whether the shares are held in Italy, subject to the condition that the shares are listed on a regulated market.

In such a case, in order to benefit from this exemption from Italian taxation on capital gains, non-resident holders without a permanent establishment in Italy to which the shares are effectively connected, who hold the shares with an Italian authorized financial intermediary and elect to be subject to the *Risparmio Gestito* regime or are subject to the *Risparmio Amministrato* regime, may be required to produce in due time to the Italian authorized financial intermediary an appropriate self-declaration that they are not resident in Italy for tax purposes.

Capital gains realized by non-resident holders (not having a permanent establishment in Italy to which the shares are effectively connected) on the disposal of shares constituting the disposal of a "qualified" participation, as defined above, contribute to determine the overall taxable income of such holders for Italian income tax purposes, limited to 49.72% of the amount thereof.

However, the application of any provision of a Treaty executed by Italy which grants a more favorable tax treatment is not precluded. The majority of Treaties entered into by Italy, in accordance with the OECD model, provide that capital gains realized from the disposal of shares are subject to tax only in the country of residence of the seller which, in the case of non-resident sellers, is not Italy. Such a provision is also applicable to non-resident individuals.

Therefore, if the foreign seller (i) is a resident, for tax purposes, of a country which executed a Treaty with Italy that, with reference to taxation of capital gains arising from the disposal of shares, is in accordance with the OECD model and (ii) is fully eligible for benefits under any such Treaty, the capital gain realized from the disposal of shares will not be subject to taxation in Italy pursuant to the provisions of the applicable Treaty, no matter whether the interest disposed of is "qualified" or "non-qualified."

Non-resident holders without a permanent establishment in Italy to which the shares are effectively connected who hold the shares in Italy with an Italian authorized financial intermediary and elect for the Risparmio Gestito regime or are subject to the Risparmio Amministrato regime, may be required to promptly provide appropriate documentation (including a certificate of residence issued by the tax authorities of their country of residence) establishing that the above-mentioned conditions of non-taxability of capital gains realized pursuant to the applicable Treaty have been satisfied, in order to be exempt from Italian taxation on capital gains under the applicable Treaty.

Transfer tax

Transfer tax (*tassa sui contratti di borsa*) has been abolished by Law No. 31 of February 28, 2008.

Tax on inheritance and donations

According to Law No. 383 of October 18, 2001 ("**Law No. 383**"), Italian inheritance and gift tax, previously generally payable on transfer of securities on death or by gift, has been abolished as at October 25, 2001 and then reintroduced by Law No. 286 of November 26, 2006. However, several exemptions are provided by law, depending on the donee's degree of relation to the donor.

United States Federal Income Tax Considerations

TO COMPLY WITH INTERNAL REVENUE SERVICE CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT: (A) THIS OFFERING CIRCULAR IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE INTERNAL REVENUE CODE (AS DEFINED BELOW); (B) THIS DOCUMENT IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) A TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion describes the material U.S. federal income tax consequences generally applicable to U.S. Holders (as defined below) of Ordinary Shares acquired pursuant to the Global Offering. This summary applies only to U.S. Holders that hold the Ordinary Shares as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "**Internal Revenue Code**") and that have the U.S. dollar as their functional currency. This discussion is based upon the Internal Revenue Code, applicable U.S. Treasury regulations, administrative pronouncements and judicial decisions, in each case as in effect on the date hereof, all of which are subject to change (possibly with retroactive effect). No ruling will be requested from the Internal Revenue Service (the "**IRS**") regarding the tax consequences of the acquisition, ownership or disposition of the Ordinary Shares, and there can be no assurance that the IRS will agree with the discussion set out below. This summary does not address any U.S. federal tax consequences other than U.S. federal income tax consequences (such as the estate and gift tax or the Medicare tax on net investment income) and does not address any state, local, or non-U.S. tax consequences.

The following discussion does not address the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- certain financial institutions;
- insurance companies;

- broker dealers;
- traders that elect to mark-to-market;
- tax-exempt entities;
- individual retirement accounts and other tax-deferred accounts;
- persons liable for alternative minimum tax;
- U.S. expatriates;
- persons holding a share as part of a straddle, hedging, conversion or other integrated transaction;
- persons that actually or constructively own 10% or more of the total voting power or value of all of our outstanding stock; or
- partnerships or pass-through entities; or
- persons holding shares through partnerships or other pass-through entities.

A "U.S. Holder" is a beneficial owner of Ordinary Shares that is, for U.S. federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Colombia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If you are a partner in a partnership or other entity taxable as a partnership that holds Ordinary Shares, your tax treatment generally will depend on your status and the activities of the partnership. Partners of a partnership considering an investment in Ordinary Shares should consult their tax advisors regarding the U.S. federal income tax consequences of acquiring, owning and disposing of the Ordinary Shares.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE ORDINARY SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL AND NON-U.S. TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Dividends

Subject to the passive foreign investment company rules discussed below, the gross amount of distributions, if any, made by us with respect to the Ordinary Shares (including the amount of any Italian taxes withheld therefrom) generally will be includable in your gross income as foreign source dividend income to the extent that such distributions are paid out of our current or accumulated earnings and profits as determined under U.S. federal income tax principles. To the extent, if any, that the amount of any such distribution exceeds our current or accumulated earnings and profits, it will be treated first as a tax-free return of your tax basis in the Ordinary Shares and thereafter as capital gain. However, we do not intend to calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will generally be treated as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. The dividends will not be eligible for the dividends received deduction available to corporations in respect of dividends received from other U.S. corporations.

With respect to non-corporate U.S. Holders, including individual U.S. Holders, for taxable years beginning before January 1, 2013, dividends may be "qualified dividend income," which is taxed at the lower applicable capital gains rate provided that (1) we are eligible for the benefits of the Convention Between the Government of the United States of America and the Government of the Republic of Italy for the Avoidance of Double Taxation with respect to Taxes on Income and the Prevention of Fraud or Fiscal Evasion (the "**Treaty**"), (2) we are not treated as a passive foreign investment company (as discussed below) for either our taxable year in which the dividend was paid or the preceding taxable year, (3) you have held the Ordinary Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and (4) you are not under an obligation to make related payments with respect to positions in substantially similar or related property. You should consult your own tax advisors regarding the availability of the lower rate for dividends paid with respect to Ordinary Shares.

For U.S. federal income tax purposes, U.S. Holders will be treated as having received the amount of any Italian taxes withheld by us (as described in "—Italian Taxation" above) and as then having paid over the withheld taxes to the Italian taxing authorities. As a result of this rule, the amount of dividend income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of dividends may be greater than the amount of cash actually received (or receivable) by the U.S. Holder with respect to the payment.

Subject to certain conditions and limitations, Italian taxes withheld from a distribution may be eligible for credit against your U.S. federal income tax liability. If a refund of the tax withheld is available to you under the laws of Italy or under the Treaty, the amount of any tax withheld that is refundable will not be eligible for such credit against your U.S. federal income tax liability (and will not be eligible for the deduction against your U.S. federal taxable income). If the dividends are qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will in general be limited to the gross amount of the dividend, multiplied by the reduced rate divided by the highest rate of tax normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to Ordinary Shares will generally constitute "passive income" but could, in the case of certain U.S. Holders, constitute "general category income." The rules relating to the determination of the U.S. foreign tax credit are complex and U.S. Holders should consult their tax advisors to determine whether and to what extent a credit would be available. If you do not claim a foreign tax credit with respect to any foreign taxes for a given taxable year, you may instead elect to claim an itemized deduction for all applicable foreign taxes paid in that taxable year.

The amount of any distribution paid in Euros will be equal to the U.S. dollar value of such Euros on the date such distribution is actually or constructively received by you, regardless of whether the payment is in fact converted into U.S. dollars at that time. Gain or loss, if any, realized on the sale or other disposition of such Euros generally will be U.S. source ordinary income or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

Sale or other disposition of Ordinary Shares

Subject to the passive foreign investment company rules discussed below, upon a sale or other disposition of Ordinary Shares, you generally will recognize a capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized and your tax basis in such Ordinary Shares. If the consideration you receive for the Ordinary Shares is not paid in U.S. dollars, the amount realized will be the U.S. dollar value of the payment received, determined by reference to the spot rate of exchange on the date of the sale or other disposition. However, if the Ordinary Shares are treated as traded on an established securities market and you are either a cash basis taxpayer or an accrual basis taxpayer who has made a special election (which must be applied consistently from year to year and cannot be changed without the consent of the IRS), you will determine the U.S. dollar value of the amount realized in a foreign currency by translating the amount received at the spot rate of exchange on the settlement date of the sale. Your initial tax basis in your Ordinary Shares generally will equal the cost of such Ordinary Shares. If you use foreign currency to purchase Ordinary Shares, the cost of the Ordinary Shares will be the U.S. dollar value of the foreign currency purchase price determined by reference to the spot rate of exchange on the date of purchase. However, if the Ordinary Shares are treated as traded on an established securities market and you are either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described above, you will determine the U.S. dollar value of the cost of such Ordinary Shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. Any such gain or loss generally will be U.S. source gain or loss and will be treated as long-term capital gain or loss if your holding period in the Ordinary Shares exceeds one year. If you are a non-corporate U.S. Holder, including an individual U.S. Holder, any capital gain generally will be subject to U.S. federal income tax at preferential rates. The deductibility of capital losses is subject to significant limitations.

Because capital gains generally will be treated as U.S. source gain, in the event that you are subject to Italian tax upon the disposition of the Ordinary Shares, you may not be able to credit such Italian tax against your U.S. federal income tax liability with respect to the gain you realize on such disposition unless you have other foreign source income for the year in the appropriate U.S. foreign tax credit limitation basket. You should consult your tax advisors regarding the creditability of any such tax. You should also consult your tax advisors regarding the treatment of any foreign currency gain or loss (which generally will be treated as U.S. source ordinary income or loss) on any foreign currency received in a sale or exchange of the Ordinary Shares that is converted into U.S. dollars (or otherwise disposed of) on a date subsequent to receipt.

Passive foreign investment company

Based on our historic and expected operations, composition of assets and market capitalization (which will fluctuate from time to time), we do not expect that we will be classified as a passive foreign investment company (a "**PFIC**") for the current taxable year ending December 31, 2011 or for the foreseeable future. However, the determination of whether we are a PFIC is made annually, after the close of the relevant taxable year. Therefore, it is possible that we could be classified as a PFIC for 2011 or in future years due to changes in the composition of our assets or income, as well as changes in our market capitalization, which depends in part on the market price of our Ordinary Shares. In general, a non-U.S. corporation will be classified as a PFIC for any taxable year if at least (i) 75% of its gross income is classified as "passive income" or (ii) 50% of its assets (determined on the basis of a quarterly average) produce or are held for the production of passive income. For these purposes, cash is considered a passive asset. In making this determination, the non-U.S. corporation is treated as earning its proportionate share of any income and owning its proportionate share of any assets of any corporation in which it holds a 25% or greater interest. Under the PFIC rules, if we were considered a PFIC at any time that a U.S. Holder holds our shares, we would continue to be treated as a PFIC with respect to such holder's investment in such Ordinary Shares unless (i) we cease to be a PFIC and (ii) the U.S. Holder has made a "deemed sale" election under the PFIC rules. If such election is made, you will be deemed to have sold Ordinary Shares you hold at their fair market value on the last day of the last taxable year in which we qualified as a PFIC, and any gain from such deemed sale would be subject to the consequences described in the subsequent paragraph. After the deemed sale election, your Ordinary Shares with respect to which the deemed sale election was made will not be treated as Ordinary Shares in a PFIC unless we subsequently become a PFIC.

If we are considered a PFIC at any time that a U.S. Holder holds our Ordinary Shares, any gain recognized by the U.S. Holder on a sale or other disposition of the Ordinary Shares would be allocated ratably over the U.S. Holder's holding period for the Ordinary Shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed. Further, to the extent that any distribution received by a U.S. Holder on its Ordinary Shares were to exceed 125% of the average of the annual distributions on the Ordinary Shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain on the sale or other disposition of Ordinary Shares if we were a PFIC, described above. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the Ordinary Shares. If we are treated as a PFIC with respect to a U.S. Holder for any taxable year, the U.S. Holder will be deemed to own Ordinary Shares in any of our subsidiaries that are also PFICs. However, an election for mark-to-market treatment would likely not be available with respect to any such subsidiaries. We currently do not intend to prepare or provide the information that would enable a U.S. Holder to make a qualified electing fund election. If we are considered a PFIC, a U.S. Holder will also be subject to annual information reporting requirements. U.S. Holders should consult their own tax advisors about the potential application of the PFIC rules to an investment in our Ordinary Shares.

Information reporting and backup withholding

Dividend payments and proceeds paid from the sale or other taxable disposition of the shares may be subject to information reporting to the IRS. In addition, a U.S. Holder (other than exempt holders who establish their exempt status if required) may be subject to backup withholding on payments received in connection with dividend payments and proceeds from the sale or other taxable disposition of shares made within the United States or through certain U.S.-related financial intermediaries.

Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number, makes other required certification and otherwise complies with the applicable requirements of the backup withholding rules or that is otherwise exempt from backup withholding. Backup withholding is not an additional tax. Rather, any amount withheld under the backup withholding rules will be creditable or refundable against the U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Additional Reporting Requirements

For taxable years beginning after March 18, 2010, certain U.S. Holders who are individuals may be required to report information relating to an interest in our shares, subject to certain exceptions (including an exception for shares held in accounts maintained by certain financial institutions). U.S. Holders should consult their tax advisers regarding the effect, if any, of this legislation on their ownership and disposition of the shares.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Ordinary Shares.

United States of America

Rule 144A Shares

Each purchaser of the Ordinary Shares offered and sold in reliance on Rule 144A of the Securities Act ("**Rule 144A**") will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S of the Securities Act ("**Regulation S**") are used herein and defined therein):

(i) The purchaser: (i) is a qualified institutional buyer ("**QIB**") as defined in Rule 144A or a broker-dealer acting for the account of a QIB; (ii) is aware, and each beneficial owner of such shares has been advised, that the sale to it is being made in reliance on Rule 144A; (iii) is acquiring such shares for its own account or for the account of a QIB and (iv) is aware that the shares are "restricted securities" within the meaning of the Securities Act and may not be deposited into any unrestricted depositary facility, unless at the time of such deposit such shares are no longer restricted securities under the Securities Act;

(ii) The purchaser is aware that the shares have not been and will not be registered under the Securities Act and are being offered in the United States in reliance on Rule 144A only in a transaction not involving any public offering in the United States within the meaning of the Securities Act;

(iii) The purchaser understands and agrees that such shares may not be offered, sold, pledged or otherwise transferred except: (i) to a person whom the seller and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A; (ii) outside the United States in an offshore transaction in reliance on Regulation S; (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144A (no representation is made as to the availability of the exemption provided by Rule 144A for resales of Shares) or (iv) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or territory of the United States or any other relevant jurisdiction;

(iv) Any offer, sale, pledge or other transfer made other than in compliance with the above stated restrictions shall not be recognized by the Company in respect of the Shares; and

(v) The purchaser acknowledges that the Company, the Selling Shareholder, the institutional managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements.

Regulation S Shares

Each purchaser of the Ordinary Shares offered and sold in reliance on Regulation S will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

(i) The purchaser (and the person, if any, for whose account or benefit the purchaser is acquiring the Shares) was located outside the United States at the time the buy order for the Shares was originated and continues to be located outside the United States and has not purchased the Shares for the benefit of any person in the United States or entered into any arrangement for the transfer of the Shares to any person in the United States;

(ii) The purchaser understands and acknowledges that the Shares have not been and will not be registered under the Securities Act and are being offered outside the United States in reliance on Regulation S; and

(iii) The purchaser acknowledges that the Company, the Selling Shareholder, the institutional managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements.

PLAN OF DISTRIBUTION

Institutional Offering

We, our Selling Shareholder and the institutional managers named in the following table have entered into an institutional underwriting agreement dated June 23, 2011 (the "**Institutional Underwriting Agreement**"), pursuant to which the institutional managers have agreed, severally and not jointly, subject to certain conditions, to procure purchasers for or, failing which, to purchase from our Selling Shareholder the number of Offer Shares set out opposite their names in the table below at the offer price in connection with the Institutional Offering.

	Number of Offer Shares
Institutional Managers	
Banca IMI S.p.A.	7,750,688
J.P. Morgan Securities Ltd.	11,626,031
Mediobanca—Banca di Credito Finanziario S.p.A.	11,626,031
ICBC International Securities Limited	861,188
MPS Capital Services S.p.A.	861,187
Nomura International plc	1,722,375
Total	**34,447,500**

Banca IMI S.p.A., J.P. Morgan Securities Ltd. and Mediobanca—Banca di Credito Finanziario S.p.A. ("**Mediobanca**") are together the Joint Global Coordinators of the Global Offering and Joint Bookrunners of the Institutional Offering and ICBC International Securities Limited, MPS Capital Services S.p.A. and Nomura International plc are the Co-Bookrunners of the Institutional Offering. In addition, Mediobanca is acting as the Italian Retail Lead Manager (*responsabile del collocamento*) of the Italian Public Offering, as well as the sponsor for the listing thereunder and Banca IMI S.p.A. is acting as Joint Lead Manager of the Italian Public Offering.

The Institutional Underwriting Agreement provides that the obligations of the institutional managers are subject to certain conditions precedent, and the Institutional Underwriting Agreement may be terminated in certain circumstances prior to payment for the sale of the Offer Shares being made to the Selling Shareholder. The closing of the Institutional Offering is also conditional upon the closing of the Italian Public Offering. We and our Selling Shareholder have given certain representations and warranties to the institutional managers and have agreed to indemnify the institutional managers against certain liabilities in connection with the offer and sale of the Offer Shares.

Over-Allotment Option

The Selling Shareholder has granted to the Joint Global Coordinators and Joint Bookrunners, also on behalf of the other institutional managers, an option to purchase up to 3,827,500 Ordinary Shares at the offering price, to cover any over-allotments. This option may be exercised, in whole or in part, from the date of the Institutional Underwriting Agreement until 30 calendar days after the Listing Date. In connection with this Over-Allotment Option, the Selling Shareholder has also granted the Joint Global Coordinators and Joint Bookrunners an option to borrow up to 3,827,500 Ordinary Shares. This option may be exercised, in whole or in part, from the date of the Institutional Underwriting Agreement until 30 calendar days after the Listing Date.

Italian Public Offering

The Italian Public Offering consists of a minimum of 3,827,500 Offer Shares, or approximately 10% of the Global Offering (excluding the Over-Allotment Option) and 2.27% of our share capital, which are being offered to retail investors in Italy (excluding "qualified investors," as defined by applicable Italian regulations) pursuant to a separate prospectus in the Italian language. The Italian Public Offering is being underwritten by a syndicate of banks led by Mediobanca, as the Italian Retail Lead Manager.

Each of the Italian Managers has agreed with us and our Selling Shareholder, pursuant to an Italian underwriting agreement dated June 13, 2011 (the "**Italian Underwriting Agreement**"), that they will, severally and not jointly, subject to certain conditions, procure purchasers for or, failing which, purchase themselves, a number of Offer Shares in connection with the Italian Public Offering amounting in the aggregate to a minimum of 3,827,500 Offer Shares. The Italian Underwriting Agreement also provides that any Offer Shares not purchased in the Italian Public Offering may be offered in the Institutional Offering.

The Italian Underwriting Agreement provides that the Italian Public Offering may be withdrawn in certain circumstances by the Joint Global Coordinators upon consultation with the Selling Shareholder prior to payment being made to the Selling Shareholder. In addition, it provides that the obligations of the Italian Managers may be terminated in certain circumstances prior to payment being made to the Selling Shareholder.

Lock-Up Agreements

The Ferragamo Family and Affiliate Shareholders have each undertaken, for the benefit of the Joint Global Coordinators and the institutional managers, for a period commencing on the date of the lock-up agreements to and including the date falling 180 days after the Listing Date, directly or indirectly: (i) not to sell, transfer or otherwise dispose of our Ordinary Shares (or any other financial instruments, including participating financial instruments, granting the right to purchase, subscribe for, convert into and/or exchange for our Ordinary Shares), (ii) not to grant options, rights or warrants granting the right to purchase, subscribe for, convert into and/or exchange for our Ordinary Shares, (iii) not to enter into or carry out any swap agreement or other derivative contract that has any of the foregoing consequences (even if limited to economic consequences), except with the prior written consent of the Joint Global Coordinators, which shall not be unreasonably withheld.

In addition, the Ferragamo Family and Affiliate Shareholders have each agreed, for the same period referred to above: (i) not to propose and/or approve any increase in the share capital of the Company (except in order to reconstitute the share capital pursuant to applicable laws) or any issuance of bonds or any other financial instruments (including participating financial instruments) that grant the right to purchase or subscribe for, or are convertible into and/or exchangeable for, our Shares; and (ii) not to authorize any disposal of treasury shares, if any, held by the Company, except with the prior written consent of the Joint Global Coordinators, which shall not be unreasonably withheld.

We and the Selling Shareholder have agreed to the same restrictions referred to above until the date falling 365 days after the Listing Date.

The commitments above shall not apply to: (i) the Call Option; (ii) any Shares sold by the Selling Shareholder in the Global Offering or pursuant to the Over-Allotment Option; (iii) the MHL Options; (iv) sales by the Selling Shareholder to the Ferragamo Family and Affiliate Shareholders pursuant to the Selling Shareholder Agreement or (v) any transaction carried out in order to comply with mandatory provisions of law or regulation or orders or requests issued by a competent authority.

Conflicts of interest

The banks which are participating as institutional managers in the Global Offering are also acting as managers of the Italian Public Offering. The dual role of these institutions creates the potential for a conflict of interest. Additionally, certain institutional managers have provided, and may provide in the future, investment banking or financial advisory services to the Company or the Selling Shareholders.

Banca IMI S.p.A.'s conflicts of interest

Banca IMI S.p.A., a subsidiary of Intesa Sanpaolo S.p.A. ("**Intesa Sanpaolo**"), will act as a Joint Global Coordinator in the Global Offering and as a Joint Bookrunner in the Institutional Offering, as well as Joint Lead Manager for the Italian Public Offering and, pursuant to such roles, will underwrite, along with other intermediaries, the placement of the Offer Shares being offered in the Global Offering. For each role, Banca IMI S.p.A. will be paid customary fees and commissions.

The Intesa Sanpaolo Group has engaged, and may in the future engage, in advisory and investment banking transactions with the Company and/or with companies that are part of the Ferragamo Group, as well as with the Selling Shareholder and its affiliates. As at April 30, 2011, the Intesa Sanpaolo Group has entered into various credit agreements with the Ferragamo Group, the Selling Shareholder and its affiliates. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Cash and Funding Sources."

Stabilization

In connection with the Global Offering, Mediobanca, as stabilizing manager (or any person acting for the stabilizing manager) may over-allot Offer Shares or effect transactions with a view to supporting the market price of the Ordinary Shares on the MTA for a limited period at a level higher than that which might otherwise prevail in the open market. However, there is no assurance that the stabilizing manager (or any agent of the stabilizing manager) will undertake stabilization action. Any such stabilizing, if commenced, may begin on or after the day on which trading in the Ordinary Shares begins on the MTA, may be discontinued at any time and must be brought to an end after a limited period. Any such stabilizing activities shall be in compliance with all applicable laws, regulations and rules. See "Important Information—Stabilization."

Selling restrictions

United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any states of the United States of America for offer or sale as part of their distribution and may not be offered or sold within the United States or to or for the account or benefit of U.S. persons except in certain transactions exempt from the registration requirements of the U.S. Securities Act.

Offer Shares may be sold (a) in the United States of America only to qualified institutional buyers in the United States of America in reliance on Rule 144A under the U.S. Securities Act and (b) outside the United States in offshore transactions to non-U.S. persons in compliance with Regulation S under the U.S. Securities Act and in accordance with applicable law. Any offer or sale of Offer Shares in reliance on Rule 144A will be made by broker-dealers who are registered as such under the U.S. Exchange Act of 1934, as amended. Terms used above have the meanings given to them by Regulation S and Rule 144A under the U.S. Securities Act.

Except as permitted in the Institutional Underwriting Agreement, Offer Shares may not be offered, sold or delivered to, or for the account or benefit of, U.S. persons (a) as part of the institutional managers' distribution at any time or (b) otherwise until 40 days after the later of the commencement of the Global Offering or the date the Offer Shares were originally issued. Each institutional manager will send to each dealer to whom it sells Offer Shares during such 40-day period a confirmation or other notice setting forth the restrictions on offers and sales of the Offer Shares within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act.

In addition, until the expiration of the 40-day period referred to above, an offer or sale of Offer Shares within the United States by a dealer that is not participating in the Global Offering may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act or pursuant to another exemption from registration under the U.S. Securities Act.

United Kingdom

Each institutional manager has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Market Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Offer Shares in circumstances in which section 21(1) of FSMA does not apply to the Company.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), Offer Shares have not and will not be offered to the public in that Relevant Member State, other than in connection with the Italian Public Offering once the Italian Prospectus has been approved by CONSOB in Italy and published in accordance with the Prospectus Directive as implemented in Italy, except that an offer to the public in that Relevant Member

State of any Offer Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(i) to any legal entity which is a qualified investor as defined under the Prospectus Directive;

(ii) by the institutional managers to fewer than 100 or if the Relevant Member State has implemented the relevant provisions of the PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the institutional managers for any such offer; or

(iii) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3(2) of the Prospectus Directive,

provided that no such offer of Offer Shares referred to in (i)-(iii) above shall result in a requirement for the publication by the Company or any institutional manager of a prospectus pursuant to Article 3 of the Prospectus Directive or a supplementary prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this Offering Circular, the expression an "offer to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for any shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Each person in a Relevant Member State other than, in the case of paragraph (a), persons receiving offers to the public contemplated in the Italian Public Offering, who receives any communication in respect of, or who acquires any Offer Shares which are the subject of the Institutional Offering contemplated by this Offering Circular will be deemed to have represented, warranted and agreed to and with each institutional manager that:

(a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(b) in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Offer Shares acquired by it in the Institutional Offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than to "qualified investors" as defined in the Prospectus Directive, or in circumstances in which the prior consent of the Joint Global Coordinators and Joint Bookrunners has been given to the offer or resale; or (ii) where Offer Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Offer Shares to it is not treated under the Prospectus Directive as having been made to such persons.

Italy

This Offering Circular has not been submitted to CONSOB for clearance and will not be subject to formal review or clearance by CONSOB. The Offer Shares are being offered and sold in Italy pursuant to the Italian Prospectus.

Other than the offers contemplated in Italy in connection with the Italian Public Offering (following the approval of the Italian Prospectus by CONSOB and its publication in accordance with the Prospectus Directive as implemented in Italy), the Offer Shares may not be offered, sold or delivered, directly or indirectly in the Republic of Italy or to a resident of the Republic of Italy, unless such offer, sale or delivery of Offer Shares or distribution of copies of the Offering Circular or other documents relating to the Global Offering in the Republic of Italy is:

(a) made only to "qualified investors" (*investitori qualificati*), as defined pursuant to Article 34-*ter*, first paragraph, letter b), of Regulation No. 11971 but excluding (i) small and medium enterprises and natural persons indicated in Regulation No. 11971 which have not been included in the Company's register of qualified investors, (ii) management companies and financial intermediaries authorized to manage individual portfolios on behalf of third parties and (iii) fiduciary companies managing portfolio investments regulated by Article 60, paragraph 4 of Legislative Decree No. 415 of July 23, 1996; or

(b) in other circumstances which are exempt from the rules on public offers pursuant to Article 100 of the Unified Financial Act and its implementing CONSOB regulations, including the Regulation No. 11971.

Any such offer, sale or delivery of the Offer Shares or distribution of copies of the Offering Circular or any other document relating to the Global Offering in the Republic of Italy must be in compliance with the selling restrictions under (a) and (b) above and must be:

(i) made by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r), of the Unified Financial Act), to the extent duly authorized to engage in the placement and/or underwriting and/or purchase of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Unified Financial Act, CONSOB Regulation No. 16190 of October 29, 2007, as amended, Legislative Decree No. 385 of September 1, 1993, as amended (the "**Italian Banking Act**") and any other applicable laws and regulations; and

(ii) in compliance with any other applicable requirement or limitation which may be imposed by CONSOB or the Bank of Italy or any other Italian regulatory authority.

Any investor purchasing the Offer Shares is solely responsible for ensuring that any offer or resale of the Offer Shares it purchased occurs in compliance with applicable laws and regulations.

In accordance with Article 100-*bis* of the Unified Financial Act, the subsequent resale on the secondary market in the Republic of Italy of the Offer Shares (which were part of an offer made pursuant to an exemption from the obligation to publish a prospectus) constitutes a distinct and autonomous offer that must be made in compliance with the public offer and prospectus requirement rules provided under the Unified Financial Act and Regulation No. 11971 unless an exemption applies. Failure to comply with such rules may result in the subsequent resale of such Offer Shares being declared null and void and in the liability of the intermediary transferring the Offer Shares for any damage suffered by the investors.

Japan

The Offer Shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. As part of the Institutional Offering, Nomura International plc may offer Offer Shares in Japan to a list of no more than 49 offerees in accordance with the foregoing provisions. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Switzerland

The Offer Shares will not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange Ltd. ("**SIX**") or on any other stock exchange or regulated trading facility in Switzerland. This Offering Circular has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland.

Neither this Offering Circular nor any other offering or marketing material relating to the Global Offering, the Company or the Offer Shares has been or will be filed with or approved by any Swiss regulatory authority. In particular, this Offering Circular will not be filed with, and the offer of Offer Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA), and the offer of Offer Shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Offer Shares.

This Offering Circular as well as any other material relating to the Offer Shares is personal and confidential and does not constitute an offer to any other person. This Offering Circular may only be used by those investors to whom it has been sent in connection with the Institutional Offering described herein and may neither directly nor indirectly be distributed or made available to other persons without express consent of the Company. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Hong Kong

This Offering Circular has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any shares other than: (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance.

No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the shares which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that ordinance.

People's Republic of China

Ordinary Shares are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

Jurisdictions other than Italy

No action has been or will be taken by us, the Selling Shareholder or the institutional managers in any jurisdiction other than Italy that would permit a public offering of the Offer Shares or the possession, circulation or distribution of this Offering Circular or any other material relating to us or the Offer Shares in any jurisdiction where action for that purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Offer Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Persons into whose hands this Offering Circular comes are required by us, the Selling Shareholder, and the institutional managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Offer Shares or have in their possession or distribute such offering material, in all cases at their own expense.

LEGAL MATTERS

The validity of the shares and certain other legal matters will be passed upon for us by Latham & Watkins (London) LLP, our U.S. and English legal advisors, and certain Italian matters will be passed upon for us by Gianni, Origoni, Grippo & Partners, our Italian legal advisors. The Italian tax matters relating to the shares will be passed upon for us by Studio Tributario & Societario Deloitte, our special Italian tax advisor. The validity of the shares and certain other legal matters will be passed upon for the institutional managers by Studio Legale Associato in association with Linklaters LLP, the U.S., English and Italian legal advisors to the institutional managers.

INDEPENDENT AUDITORS

The consolidated financial statements as at and for the years ended December 31, 2008, 2009 and 2010, included in this Offering Circular, prepared in accordance with IFRS as adopted by European Union, have been audited by Reconta Ernst & Young S.p.A., independent auditors as set forth in their reports appearing herein.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

Our principal office is located at Via de' Tornabuoni, 2, Florence 50123, Italy and our telephone number is +39 055 33601.

In accordance with Italian regulations, we make publicly available, but do not mail to shareholders unless specifically requested in writing, (i) an annual report containing audited consolidated financial statements for each year, no later than April 30 of the following year (which may be extended to June 30 of the following year in certain circumstances); (ii) an interim report containing consolidated financial statements that are subject to a limited review not constituting an audit by external auditors for the first six months of each year, no later than August 31 of that year and (iii) quarterly selected unaudited financial data for each quarter of every year, no later than 45 days after the end of each such quarter (exceptions may be provided for the second and fourth quarters if the semi-annual and annual accounts are made available before the normal reporting dates).

We are not currently required to file periodic reports under Section 13 or 15(d) of the Exchange Act. In order to preserve the exemption for resales and transfers under Rule 144A of the Securities Act, we will either (a) ensure that we qualify for exemption from Section 12(g) of the Exchange Act by furnishing to the SEC the information required by Rule 12g3-2(b) thereunder or (b) provide upon request to any holder or beneficial holder of the Ordinary Shares, or prospective purchasers designated by such holder or beneficial owner, information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

We will also furnish certain information to Borsa Italiana, which is responsible for managing and overseeing the MTA.

Salvatore Ferragamo S.p.A. and Subsidiaries

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Independent auditors' report

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

1. We have audited the consolidated financial statements of Salvatore Ferragamo S.p.A. and its subsidiaries (the "Ferragamo Group") which comprise the consolidated statements of financial position as of December 31, 2008, 2009 and 2010 and the consolidated statements of income, comprehensive income, cash flows and shareholders' equity for the years then ended and the related explanatory notes. The preparation of these financial statements in conformity with International Financial Reporting Standards as adopted by the European Union is the responsibility of Salvatore Ferragamo S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

2. Our audits were made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audits to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audits provide a reasonable basis for our opinion.

3. In our opinion, the consolidated financial statements of the Ferragamo Group at December 31, 2008, 2009 and 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Ferragamo Group for the years then ended

/s/ Reconta Ernst & Young S.p.A.

Florence, March 30, 2011

Salvatore Ferragamo S.p.A. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2008, 2009 and 2010

	As of December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Assets			
Non-current assets			
Property, plant and equipment	111,958	106,471	107,636
Investment property	7,821	7,267	7,535
Goodwill and other intangible assets with indefinite useful life	227	0	0
Intangible assets with definite useful life	13,991	13,817	14,888
Investments in associates and joint ventures	1,155	1,091	1,143
Financial assets available for sale	74	71	51
Other non-current assets	6,713	4,848	5,057
Other non-current financial assets	6,888	5,741	6,924
Derivatives financial instruments	0	0	2
Deferred tax assets	50,955	55,067	61,715
Total non-current assets	**199,782**	**194,373**	**204,951**
Current assets			
Inventories	192,180	162,307	182,780
Trade receivables	66,163	57,347	75,377
Tax receivables	11,344	5,267	5,845
Other current assets	28,377	32,646	23,213
Other current financial assets	3,497	1,324	1,200
Cash and cash equivalents	78,237	77,403	132,895
Total current assets	**379,798**	**336,294**	**421,310**
Total assets	**579,580**	**530,667**	**626,261**
Shareholders' equity and liabilities			
Share capital	16,841	16,841	16,841
Reserves	107,271	150,644	127,352
Net income (loss) for the year attributable to owners of the parent	29,787	(20,907)	48,877
Total shareholders' equity attributable to owners of the parent	**153,899**	**146,578**	**193,070**
Capital and reserves attributable to non-controlling interests shareholders	32,528	40,487	35,442
Net income (loss) for the year attributable to non-controlling interests shareholders	9,096	6,246	11,924
Total shareholders' equity attributable to non-controlling interests	**41,624**	**46,733**	**47,366**
Total shareholders' equity	**195,523**	**193,311**	**240,436**
Non-current liabilities			
Provisions for risks and charges	22,985	3,912	5,052
Employees termination indemnities	9,699	9,178	9,340
Other non-current liabilities	26,848	41,499	33,536
Long-term financial liabilities	239	0	83
Deferred tax liabilities	6,340	6,359	5,863
Total non-current liabilities	**66,111**	**60,898**	**53,874**
Current liabilities			
Trade payables	94,378	77,260	103,607
Loans and borrowings	165,227	158,149	150,796
Income taxes payables	9,176	16,759	27,210
Other current liabilities	48,852	23,717	48,971
Other current financial liabilities	313	573	1,367
Total current liabilities	**317,946**	**276,458**	**331,951**
Total liabilities	**384,057**	**337,356**	**385,825**
Total shareholders' equity and liabilities	**579,580**	**530,667**	**626,261**

The accompanying notes are an integral part of these consolidated financial statements.

Salvatore Ferragamo S.p.A. and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For the years ended December 31, 2008, 2009 and 2010

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Revenue			
Revenue from sales and services	683,886	612,012	773,486
Income from rental of investment properties	6,944	7,586	8,115
Total revenue	**690,830**	**619,598**	**781,601**
Cost of sales	(271,878)	(256,066)	(289,361)
Gross profit	**418,952**	**363,532**	**492,240**
Style, product development and logistic costs	(30,189)	(24,826)	(27,690)
Selling and distribution costs	(221,348)	(220,834)	(262,543)
Communication and marketing costs	(47,696)	(31,502)	(44,095)
General and administrative expenses	(55,966)	(55,997)	(66,647)
Other operating expenses	(9,666)	(13,561)	(13,777)
Other operating income	9,704	19,664	8,949
Operating income	**63,971**	**36,476**	**86,437**
Financial expenses	(26,373)	(18,068)	(13,923)
Financial income	25,968	15,959	16,324
Share of profit of associates	840	436	477
Income before income taxes	**64,226**	**34,803**	**89,315**
Income taxes	(25,343)	(49,464)	(28,514)
Net income (loss) for the year	**38,883**	**(14,661)**	**60,801**
Net income (loss) for the year attributable to owners of the parent	29,787	(20,907)	48,877
Net-income attributable to non-controlling interests shareholders	9,096	6,246	11,924

	For the year ended December 31,		
	2008	2009	2010
	(in Euro)		
Basic and diluted earnings (loss) per share			
Of which:			
Ordinary share	0.174	(0.124)	0.288
Preferred share	0.179	(0.124)	0.293

The accompanying notes are an integral part of these consolidated financial statements.

Salvatore Ferragamo S.p.A. and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2008, 2009 and 2010

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Net income (loss) for the year	**38,883**	**(14,661)**	**60,801**
Exchange differences on translating foreign operations	6,733	(2,959)	23,679
Profit (loss) from fair value adjustments related to hedging instruments	(26,015)	22,558	(10,543)
Tax effect	7,154	(6,204)	2,899
	(18,861)	16,354	(7,644)
Actuarial gains and losses on defined benefit plans	(853)	318	(194)
Tax effect	244	(87)	54
	(609)	231	(140)
Total net comprehensive income (loss) for the year	**26,146**	**(1,035)**	**76,696**
Attributable to owners of the parent	16.903	(7,321)	58,642
Attributable to non-controlling interests shareholders	9,243	6,286	18,054

The accompanying notes are an integral part of these consolidated financial statements.

Salvatore Ferragamo S.p.A. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31, 2008, 2009 and 2010

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Net income (loss) for the year	**38,883**	**(14,661)**	**60,801**
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	22,163	25,437	26,703
Deferred taxes	(4,827)	(11,195)	(2,477)
Provision for employees termination indemnities	4,201	3,522	3,737
Provision for inventory obsolescence	12,942	2,632	(3,307)
Provision for doubtful accounts	906	3,455	1,651
(Gain) loss on disposal of property, plant and equipment and investment property	(2,061)	505	676
Share of profit of associates	(414)	64	(52)
Other non cash items	2,920	1,418	2,980
Changes in operating assets and liabilities:			
Trade receivables	(3,720)	4,616	(16,665)
Inventories	(44,062)	23,720	3,344
Trade payables	(6,665)	(16,986)	25,125
Tax receivables	(4,053)	6,012	(298)
Income tax payables	(674)	7,526	9,591
Payment of employees termination indemnities	(4,764)	(3,695)	(4,142)
Others	4,698	(9,274)	13,921
Net cash provided by operating activities	**15,473**	**23,096**	**121,588**
Cash flow from investing activities:			
Additions to property, plant and equipment	(24,873)	(18,320)	(18,210)
Additions to intangible assets	(3,305)	(2,600)	(3,548)
Net increase/decrease in other non-current asset and liabilities	(1,774)	1,037	(265)
Proceeds from disposal of property, plant and equipment and intangible assets	2,833	194	307
Acquisition of Nelia Retail Private Limited	57	—	—
Net cash used in investing activities	**(27,062)**	**(19,689)**	**(21,716)**
Cash flow from financing activities:			
Net (increase) decrease in financial asset	(3,317)	2.849	(1.781)
Net increase (decrease) in financial liabilities	33,478	(2.394)	(23.222)
Payment of dividends to owners of the parent	(7,447)	0	(15.056)
Payment of dividends to non-controlling interests shareholders	(596)	(3.117)	(10.831)
Purchase of non-controlling interests in fully consolidated companies	(30)	—	(68)
Other increase/decrease in Group shareholders' equity	—	(74)	59
Other increase/decrease in non-controlling interests	—	229	—
Net cash provided by (used in) financing activities	**22,088**	**(2,508)**	**(50,899)**
Cash and cash equivalents at the beginning of the year	**64,827**	**77,058**	**76,999**
Net increase of cash and cash equivalents	10,499	899	48,973
Effect of exchange rates on cash and cash equivalents	1,733	(958)	6,497
Cash and cash equivalent at the end of the year	**77,058**	**76,999**	**132,469**
Additional information:			
Interest paid	5,937	2,669	2,337
Income tax paid	21,348	47,644	24,238
Interest received	1,690	451	382
Dividends received	425	500	425

The accompanying notes are an integral part of these consolidated financial statements.

Salvatore Ferragamo S.p.A. and Subsidiaries

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

For the years ended December 31, 2008, 2009 and 2010

For the year ended December 31, 2008	Share Capital	Paid in Capital	Legal Reserve	Extraordinary reserve	Cash flow hedge reserve	Reserve for exchange differences on translating foreign operations	Retained earnings	Other reserves	IAS 19 Equity effect	IAS 28 (Common Control) Equity effect	Net income (loss) for the year	Total shareholders' equity attributable to owners of the parent	Total shareholders' equity attributable to non-controlling interests	Total shareholders' equity
							(in thousands of Euro)							
Balance as of January 1, 2008	**16,841**	**2,995**	**4,188**	**359**	**7,885**	**(49,460)**	**114,466**	**14,920**	**(517)**	**(5,924)**	**38,459**	**144,212**	**33,748**	**177,960**
Allocation of prior year result	—	—	—	7,610	—	—	30,849	—	—	—	(38,459)	—	—	—
Net income (loss) for the year		—	—	—	—	—			—	—	29,787	29,787	9,096	38,883
Other components of the Statements of comprehensive income	—	—	—	—	(18,861)	6,538	48	—	(609)	—	—	(12,884)	147	(12,737)
Net comprehensive income (loss) for the year	**—**	**—**	**—**	**—**	**(18,861)**	**6,538**	**48**	**—**	**(609)**	**—**	**29,787**	**16,903**	**9,243**	**26,146**
Dividends	—	—	—	(7,477)	—	—	—	—	—	—	—	(7,477)	(2,278)	(9,755)
Changes in consolidation area	—	—	—	—	—	—	(105)	—	—	—	—	(105)	911	806
Share-based payment								366				366		366
Balance as of December 31, 2008	**16,841**	**2,995**	**4,188**	**492**	**(10,976)**	**(42,922)**	**145,258**	**15,286**	**(1,126)**	**(5,924)**	**29,787**	**153,899**	**41,624**	**195,523**

The accompanying notes are an integral part of these consolidated financial statements.

Salvatore Ferragamo S.p.A. and Subsidiaries

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (Continued)

For the years ended December 31, 2008, 2009 and 2010

For the year ended December 31, 2009	Share Capital	Paid in Capital	Legal Reserve	Extraordinary reserve	Cash flow hedge reserve	Reserve for exchange differences on translating foreign operations	Retained earnings	Other reserves	IAS 19 Equity effect	IAS 28 (Common Control) Equity effect	Net income (loss) for the year	Total shareholders' equity attributable to owners of the parent	Total shareholders' equity attributable to non-controlling interests	Total shareholders' equity
							(in thousands of Euro)							
Balance as of January 1, 2009	**16,841**	**2,995**	**4,188**	**492**	**(10,976)**	**(42,922)**	**145,258**	**15,286**	**(1,126)**	**(5,924)**	**29,787**	**153,899**	**41,624**	**195,523**
Allocation of prior year result	—	—	—	24,151	—	—	5,636	—	—	—	(29,787)	—	—	—
Net income (loss) for the year		—	—	—	—	—			—	—	(20,907)	(20,907)	6,246	(14,661)
Other components of the Statements of comprehensive income	—	—	—	—	16,354	(2,925)	(74)	—	231	—	—	13,586	40	13,626
Net comprehensive income (loss) for the year	**—**	**—**	**—**	**—**	**16,354**	**(2,925)**	**(74)**	**—**	**231**	**—**	**(20,907)**	**(7,321)**	**6,286**	**(1,035)**
Dividends	—	—	—	—	—	—	—	—	—	—	—	—	(1,405)	(1,405)
Additional paid in by non-controlling interests												—	228	228
Reclassification	—	—	—	—	—	—	746	(746)	—	—		—	—	—
Balance as of December 31, 2009	**16,841**	**2,995**	**4,188**	**24,643**	**5,378**	**(45,847)**	**151,566**	**14,540**	**(895)**	**(5,924)**	**(20,907)**	**146,578**	**46,733**	**193,311**

The accompanying notes are an integral part of these consolidated financial statements.

Salvatore Ferragamo S.p.A. and Subsidiaries

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (Continued)

For the years ended December 31, 2008, 2009 and 2010

For the year ended December 31, 2010	Share Capital	Paid in Capital	Legal Reserve	Extraordinary reserve	Cash flow hedge reserve	Reserve for exchange differences on translating foreign operations	Retained earnings	Other reserves	IAS 19 Equity effect	IAS 28 (Common Control) Equity effect	Net income (loss) for the year	Total shareholders' equity attributable to owners of the parent	Total shareholders' equity attributable to non-controlling interests	Total shareholders' equity
							(in thousands of Euro)							
Balance as of January 1, 2010	**16,841**	**2,995**	**4,188**	**24,643**	**5,378**	**(45,847)**	**151,566**	**14,540**	**(895)**	**(5,924)**	**(20,907)**	**146,578**	**46,733**	**193,311**
Allocation of prior year result	—	—	—	22,346	—	—	(43,253)	—	—	—	20,907	—	—	—
Net income (loss) for the year		—	—	—	—	—			—	—	48,877	48,877	11,924	60,801
Other components of the Statements of comprehensive income	—	—	—	—	(7,644)	17,491	58	—	(140)	—	—	9,765	6,130	15,895
Net comprehensive income (loss) for the year	**—**	**—**	**—**	**—**	**(7,644)**	**17,491**	**58**	**—**	**(140)**	**—**	**48,877**	**58,642**	**18,054**	**76,696**
Dividends	—	—	—	(15,056)	—	—	—	—	—	—	—	(15,056)	(10,831)	(25,887)
Acquisition of non-controlling interests of fully consolidated companies and call and put option transactions	—	—	—	—	—	1,068	1,932	(94)	—	—	—	2,906	(6,590)	(3,684)
Balance as of December 31, 2010	**16,841**	**2,995**	**4,188**	**31,933**	**(2,266)**	**(27,288)**	**110,303**	**14,446**	**(1,035)**	**(5,924)**	**48,877**	**193,070**	**47,366**	**240,436**

The accompanying notes are an integral part of these consolidated financial statements.

Salvatore Ferragamo S.p.A. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008, 2009 and 2010

1. Basis of presentation

The consolidated financial statements of Salvatore Ferragamo S.p.A. (the "Company") and its subsidiaries (together with the Company, the "Group") as of and for the years ended 31 December 2008, 2009 and 2010, comprised of the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flow, consolidated statement of changes in equity and explanatory notes. The Company was incorporated under the name of Salvatore Ferragamo Italia S.p.A. and was changed to Salvatore Ferragamo S.p.A. on March 30, 2011.

The consolidated statement of financial position classifies assets and liabilities on the basis of their liquidity, where:

- non-current assets comprise those assets realizable after twelve months from the statement of financial position date and include intangible, tangible and financial fixed assets;
- current assets comprise those assets realizable within twelve months of the statement of financial position date;
- non-current liabilities comprise the payables due after twelve months from the statement of financial position date, including financial liabilities, provisions for risks and charges and employee termination indemnities;
- current liabilities comprise the payables due within twelve months of the statement of financial position date, including the current portion of medium and long term loans, provisions for risks and charges and of employee termination indemnities.

The consolidated income statement for the years ended 31 December 2008, 2009 and 2010 classifies costs by function, which is considered more representative than the so-called presentation of costs by nature. The consolidated statements of cash flows has been prepared on the basis of the indirect method and is presented in compliance with IAS 7, distinguishing between cash flows from operating, investing and financing activities.

Declaration of conformity to the International Accounting Standards (IFRS)

The consolidated financial statements have been prepared in accordance with the IFRS issued by the *International Accounting Standards Board* (IASB) as adopted by the European Union.

The term IFRS refers to all revised International Accounting Standards (IAS) and all IFRS interpretations by the International Financial Reporting Interpretations Committee (IFRIC), including the interpretations previously issued by the Standing Interpretation Committee (SIC) adopted by the European Union as of December 31, 2010.

2. Consolidation

The consolidated financial statements have been prepared on the basis of the financial statements approved by the Boards of Directors or, in absence of a Board, by the Sole Directors. In some cases the consolidated financial statements have been prepared on the basis of the accounting records provided by the Group's subsidiary companies. The financial statements of subsidiary companies have been prepared using the same accounting principles as those adopted by the Company. The subsidiary companies are consolidated on a line-by-line basis as from the date in which the Group acquired control up until the date in which such control is transferred outside of the Group.

All balances and transactions, including any unrealized profits and losses deriving from transactions between companies included in the consolidation area are completely eliminated.

Acquisitions of subsidiary companies are recorded using the purchase method, which involves the allocation of the cost of the business combinations to the fair value of the assets, liabilities and potential

2. Consolidation (Continued)

liabilities acquired at the acquisition date and the inclusion of the results of the company acquired from the date of acquisition up until the year-end.

Changes in the ownership interest of a subsidiary without loss of control

Starting from January 1, 2010 the amended IAS 27 requires that when the Group loses control over another entity but still retains a non-controlling interest in that entity, the former controlling Group recognizes the transaction at the date it loses control as follows:

- derecognizes the carrying amounts of assets (including any goodwill) and liabilities the subsidiary;
- derecognizes any carrying amounts of non-controlling interest in the ex subsidiary;
- derecognizes the exchange differences cumulated and recognized in the shareholders' equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any residual interest retained in the former subsidiary;
- recognizes any resulting difference as a gain or loss in statement of income;
- reclassifies to statement of income any amounts relating to the subsidiary's assets and liabilities previously recognized in the statement of comprehensive income, as if the assets and liabilities had been disposed of directly.

The non-controlling interests in equity and in the results for the period are disclosed separately under specific headings in the consolidated statements of financial position, consolidated statements of income and consolidated statements of comprehensive income.

2. Consolidation (Continued)

The companies included in the consolidation area as of December 31, 2010 are listed below.

Company name	Location	Currency	Share Capital	Controlling interest Direct	Controlling interest Indirect	Notes
Salvatore Ferragamo Italia S.p.A.	Florence	Euro	16,841,000	Parent Company		
Ferragamo Retail Nederland B.V.	Amsterdam	Euro	500,000	100%		
Ferragamo France SAS	Paris	Euro	4,334,094	100%		
Ferragamo Deutschland GmbH	Munich	Euro	3,300,000	100%		
Ferragamo Austria GmbH	Vienna	Euro	1,853,158	100%		
Ferragamo U K Ltd	London	Gbp	6,172,735	100%		
Ferragamo Suisse SA	Mendrisio	Chf	1,000,000	100%		
Ferragamo Belgique SA	Bruxelles	Euro	750,000	100%		
Ferragamo Monte-Carlo S.A.M.	Monte-Carlo	Euro	304,000	100%		
Ferragamo Espana S.L.	Madrid	Euro	4,600,000	100%		
Ferragamo USA Inc.	New York	Usd	74,011,969	100%		
SF Licensing Corporation	Wilmington, DE	Usd	1,000		100%	(1)
Ferragamo Canada Inc	Vancouver	Cad	430,000		100%	(1)
S-Fer International inc	New York	Usd	4,600,000		100%	(1)
Sator Realty Inc	New York	Usd	100,000		100%	(1)
Ferragamo Parfums Usa Inc.	New York	Usd	200,000		100%	(1)
Ferragamo Latin America Inc.	Miami	Usd	300,000	100%		
Ferragamo St, Thomas Inc,	St Thomas USVI	Usd	301,000		100%	(4)
Ferragamo Mexico S, de R.L. de C.V.	Mexico City	Mxn	4,592,700	99.73%	0.27%	(4)
Ferragamo Chile SA	Santiago, Chile	Clp	1,471,169,399	99%	1%	(4)
Ferragamo Argentina SA	Buenos Aires	Ars	6,174,750	95%	5%	(4)
Ferragamo Hong Kong Ltd.	Hong Kong	Hkd	10,000	100%		
Ferragamo Japan KK	Tokyo	Yen	305,700,000	71%		(7)
Ferragamo Australia PTY Ltd.	Sidney	Aud	10,536,004	100%		
Ferrimag Limited	Hong Kong	Hkd	109,200,000		50%	(2)
Ferragamo Fashion Trading (Shanghai) Co. Ltd	Shanghai, PRC	Usd	200,000		50%	(3)
Ferragamo Moda (Shanghai) Co. Ltd	Shanghai, PRC	Usd	1,400,000	50%		
Ferragamo Retail HK Limited	Hong Kong	Hkd	39,000,000		50%	(3)
Ferragamo Retail Taiwan Limited	Taipei	Twd	136,250,000		50%	(3)
Ferragamo Retail India Private Limited	New Delhi	Inr	150,000,000	51%		(6)
Ferragamo Korea Limited	Seoul	Kwon	3,291,200,000	50%		
Ferragamo (Singapore) Pte. Ltd.	Singapore	Sgd	4,600,000	50%		
Ferragamo (Thailand) Limited	Bangkok	Thb	45,000,000	50%		
Ferragamo (Malaysia) Sdn Bhd	Kuala Lumpur	Myr	1,300,000	50%		
Ferragamo Retail Macau Limited	Macau	Mop	25,000	60%		
Ferragamo Parfums SpA	Firenze	Euro	10,000,000	100%		
Ferragamo Parfums SA	Neuchatel	Chf	250,000	100%		(5)

(1) Through Ferragamo USA Inc.

(2) Through Ferragamo Hong Kong Ltd.

(3) Through Ferrimag Ltd.

(4) Through Ferragamo Latin America Inc.

(5) Inactive company.

(6) The controlling interest in Ferragamo Retail India Private Ltd relates to the legal quota, due to the call option on non-controlling interests, that transfers all significant risks and rewards to the Company, the non-controlling interests have been eliminated from the shareholders' equity.

(7) The interest in Ferragamo Japan KK relates to the legal quota, due to the put option granted to non-controlling interests the non-controlling interests have been eliminated from the shareholders' equity.

2. Consolidation (Continued)

The only one jointly controlled company consolidated using the net equity method is the following:

Company name	Location	Currency	Share Capital	Controlling interest Direct	Controlling interest Indirect	Notes
Zefer S.p.A.	Sesto Fiorentino	Euro	500,000	50%		

In 2010 there was no change in the Group's consolidation area.

In 2009 the Group's consolidation area changed due to the incorporation, in October 2009, of Ferragamo Retail Macau Limited in which Ferragamo International BV holds a 60% stake, following the subscription of a share with a nominal value of 15,000 Patacas (MOP) (Euro 1,272). The remaining 40% stake, with a nominal value of 10,000 Patacas, was subscribed by Imaginex Overseas Limited, our local partner in China, Hong Kong, and Taiwan.

In 2008 the changes in the Group consolidation area were the following:

- in September, Ferragamo International BV acquired 51% of the Indian Nelia Retail Private Limited, a company based in Delhi, through the subscription of 7,650,000 shares with a nominal value of 10.0 rupees per share for a total value of 76,500,000 Indian rupees, corresponding to 51% of the total share capital (value of the investment in Euro: 1.2 million);
- in July, the Company exercised the option to buy the remaining 1.64% of the share capital of Ferragamo Austria GmbH, held by third-party shareholders, and thus achieved 100% control of the company.

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

The consolidated financial statements are presented in Euro, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the spot rate of exchange ruling at the reporting date.

All exchange differences are booked in the statement of income.

Non-monetary items, valued at historical cost in a foreign currency, are translated using the exchange rates in effect at the initial transaction dates.

Translation differences are recorded directly in shareholders' equity and disclosed in a separate reserve therein. On disposal of the investment in the foreign company, the cumulative translation differences recorded in net equity related to that particular foreign company are recorded in the statement of income.

2. Consolidation (Continued)

The exchange rates used for the determination of the counter value in Euro of the subsidiaries financial statements expressed in foreign currency are shown below:

	Average Exchange rate for the year ended December 31,			Year end Exchange rate as of December 31,		
	2008	2009	2010	2008	2009	2010
U.S. Dollar	1.47076	1.39478	1.32576	1.3917	1.44060	1.3362
Swiss Franc	1.58739	1.51002	1.38055	1.4850	1.48360	1.2504
Japanese Yen	152.45400	130.33701	116.27109	126.1400	133.15999	108.6499
Pound Sterling	0.796285	0.89094	0.857890	0.9525	0.88810	0.8607
Australian Dollar	1.74162	1.77270	1.44230	2.0274	1.60080	1.3136
Korean Won	1,606.09	1,772.90	1,531.63	1,839.13	1,666.97	1,499.07
Hong Kong Dollar	11.4541	10.81140	10.2997	10.7858	11.17090	10.3856
Mexican Pesos	16.2911	18.79890	16.7357	19.2333	18.92230	16.5475
Taiwan Dollar	46.2833	46.01820	41.7566	45.66080	46.13040	38.89000
Singapore Dollar	2.07619	2.02409	1.80564	2.0040	2.01940	1.7136
Thai Baht	48.4753	47.80440	42.0185	48.2850	47.98600	40.1700
Malaysian Ringgit	4.88933	4.90791	4.26682	4.8048	4.93260	4.0950
Indian Rupee	63.73430	67.36110	60.58396	67.63600	67.04000	59.75800
Macao Patacas	n.a.	11.13140	10.60231	n.a.	11.49790	10.70190
Chinese Renminbi	10.22360	9.52771	8.97185	9.49560	9.83500	8.82200
Chilean Pesos	762.847	776.5090	675.229	888.086	730.74416	625.078
Argentinean Pesos	4.63927	5.21103	5.18319	4.80444	5.46185	5.30457

The translation into Euro of the financial statements of consolidated foreign subsidiaries is carried out using the current exchange rate method, whereby the statement of financial position items are translated using the exchange rates in force at the reporting date and the statement of income is translated using the average exchange rate for the year. On disposal of the investment in the foreign company, the cumulative translation differences recorded in the statement of comprehensive income and related to that particular foreign company are recorded in the statement of income.

Any goodwill and any fair value adjustment arising on the acquisition of a foreign, subsequent to the IFRS transition date, entity are considered to be assets and liabilities of that foreign entity. Therefore they are expressed in the entity's functional currency and converted at closing rate.

3. Accounting policies

The consolidated financial statements have been prepared on a historical cost basis, with the exception of derivative financial instruments and financial assets available for sale, which are stated at fair value.

The consolidated financial statements are presented in Euro and all values are rounded to the nearest thousand Euro, unless otherwise indicated.

Significant judgments, estimates and assumptions

The preparation of the financial statements of the Group requires management to make judgments, estimates and assumptions which could influence the reported value of certain assets and liabilities, costs and revenues and also the information disclosed related to potential liabilities in existence at the year end. The actual results may differ from such estimates. Estimates have been used to determine the value of the following:

- provisions for obsolete inventories of raw materials, accessories and finished products; since the Group, both in its core business and fragrances business, deals with products which are subject to fashion influence, inventories at the end of the season or, in the case of fragrances, at the end of the life cycle of the individual item, which may be short, are subject to impairment;

3. Accounting policies (Continued)

- provisions for doubtful debts relating to wholesale sales, which are linked to the solvency of customers with whom general terms are well-established and who rarely change;
- provisions for risks and charges, in particular expected future expenses and ongoing or foreseeable disputes, as well as for marginal cases relating to the return of goods by customers;
- amortization and depreciation rates for tangible and intangible assets;
- employee termination indemnities, whose amounts are determined using actuarial valuations;
- deferred tax assets, in particular the estimate of their recoverability in regard to future taxable profits;
- fair value of stock option plans at the grant date of the options, determined on the basis of the features of the granted options and the data included in the valuation model; these information are disclosed in the notes;
- fair value of financial instruments, in which derivatives, that the Group uses extensively to hedge exchange rate risks, are particularly important.

The estimates and the assumptions are made by directors with the assistance of company departments and, when appropriate, of independent experts and are reviewed periodically; the effects of any changes therein are reflected immediately in the statement of income.

Property, plant and equipment

Property, plant and equipment are stated at purchase or production cost, inclusive of the direct accessory costs necessary to get the asset ready for its intended use. Such cost includes the cost of replacing part of the plant and machinery at the moment in which they are incurred, if the recognition criteria are met; the net value (acquisition cost less accumulated depreciation) of the plant and machinery replaced part is recognized in the statement of income at the date of replacement.

Only the maintenance and repair costs which improve the efficiency and/or prolong the residual life of the assets are capitalized, all other routine maintenance and repair costs are charged in the statement of income as incurred.

Property, plant and equipment are stated net of the relative accumulated depreciation and of eventual impairment losses, determined in accordance with the methods described below. Depreciation is calculated on a straight-line basis over the estimated useful economic life of the asset. The carrying value of the assets, the estimated useful economic life and depreciation methods are reviewed annually and eventual changes, if necessary, are applied prospectively.

The estimated useful lives of the main Property, plant and equipment categories are as follows:

	Useful life
Buildings	33 years
Plant and machinery	5–6 years
Industrial and commercial equipment	4–7 years
Other assets	
—Office furniture and furnishing	5–8 years
—Electronic machines	3–5 years
—Historical collections	5 years
—Vehicles	3–4 years
—Improvements on third party assets	on the basis of the residual duration of the assets lease contracts

3. Accounting policies (Continued)

Where these categories contain significant assets with different useful lives, these are recorded separately. Land, whether it is built upon or free from construction, is recorded separately and is not subject to depreciation, as it has an unlimited useful life.

The carrying value of property, plant and equipment is subject to review in order to identify any permanent losses in value (impairment losses) whenever events or changes indicate that the carrying value exceeds recoverable value. Where this is the case and where carrying value exceeds the estimated realizable value, the assets are written down to recoverable value. The recoverable value of property, plant and equipment represents the higher of net selling price and value in use.

In determining the value in use, the estimated future cash flows are discounted back to present value using a rate gross of taxation that reflects the current market valuation of the cost of money over time and of the specific risks inherent in the asset. For those cases in which the cash flows generated by the assets cannot be separated from those generated by other assets or groups of assets, the recoverable value is determined in relation to the cash generating unit to which it belongs. Losses in value are recorded in the statement of income under the heading depreciation, amortization and write-downs. These losses in value are reversed where the reasons which generated the write-down cease to exist.

Property, plant and equipment are eliminated from the financial statements at the moment of sale or when no further future economic benefits are expected to derive from the use of the asset, and the eventual gain or loss (calculated as being the difference between the disposal value and the carrying value) is recorded in the statement of income of the period in which the elimination takes place.

Investment property

In accordance with IAS 40 property held to earn rental income purposes, and not for instrumental use, is recognized under the specific item "Investment property". The assets which are comprised in this category are land and/or buildings (or parts of buildings) held by the owner or the 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 recognized at historical cost less accumulated depreciation and recognized impairment losses. The useful life of Group investment property is 33 years.

Leases

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

(a) change in the contract terms other than a renewal or extension of the contract;

(b) exercise of a renewal option or grant of an extension, unless the terms of the renewal or extension were not initially included in the terms of the lease transaction;

(c) change in the condition under which fulfillment depends on the use of a specific asset; or

(d) substantial change in the asset.

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

For contracts signed before January, 1 2005, the start date is January,1 2005 in accordance with the transition provisions of IFRIC 4.

3. Accounting policies (Continued)

Financial leasing contracts, which transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of income.

If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the leased asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Those leases in which the lessor retains substantially all of the risks and benefits of ownership of the assets leased are classified as operating leases and the relative leasing costs are charged to the statement of income on a straight-line basis over the duration of the lease contract.

Business combinations and goodwill

Business combinations are accounted for using the purchase method.

Business combinations carried out after January 1, 2010 are recognized and measured in accordance with the provisions of the revised IFRS 3.

Accordingly, the consideration transferred (acquisition cost) includes the fair value of the assets and liabilities transferred and the fair value of all interests that the acquirer may have held previously in the acquired business. The acquirer may measure any non controlling interest resulting from a business combination at fair value or at the fair value of the proportion of the non controlling interest of identifiable assets and liabilities Costs directly attributable to the business combination are expensed as incurred in the statement of income as administrative costs.

Contingent consideration is required to be recognized at fair value from the acquirer. All subsequent changes in the fair value of contingent consideration are recognized in the statement of income or in the statement of comprehensive income as per IAS 39.

If the contingent consideration is classified as equity then there will be no re-measurement and it will be derecognized from shareholders' equity.

The goodwill acquired as the result of a business combination is initially measured at cost, represented by the excess of the consideration transferred over the Group's share of the net fair value of the identifiable assets acquired and identifiable liabilities and potential liabilities assumed.This calls for the recognition at fair value of the identifiable assets (including intangible fixed assets not previously recorded) and of the identifiable liabilities (including potential liabilities) of the business acquired.

Following the initial recognition, the carrying value of the goodwill is the cost reduced by the accumulated losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the acquirer's cash generating unit, or groups of cash generating units, that are expected to benefit from the synergies of the combination. This allocation occurs irrespective of whether other assets or liabilities of the acquiree are assigned to those cash generating units or groups of cash generating units.

In case of business combinations the acquirer shall classify financial assets acquired or contingent liabilities on the basis of the contractual terms, economic conditions and other factors at the inception of the contract, including the evaluation of the incorporated derivatives to determine if shall be separated from the main contract.

If the acquirer obtains control of the acquire in which it held an equity interest through several steps, on the date that control is obtained, the acquirer must remeasure its previously held equity interest based on the fair values of the acquired entity's assets and liabilities, including goodwill. Any resulting adjustments to previously recognized assets and liabilities are recognized in the statement of income.

3. Accounting policies (Continued)

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets

Intangible assets are recorded in the statement of financial position at acquisition cost where there is the probability that the use of the asset shall generate future economic benefits and where the cost of the assets can be reliably determined. Intangible assets acquired as the result of a business combination are recorded at the fair value determined at the acquisition date, where this can be reliably ascertained.

Intangible assets with finite lives are amortized on a straight-line basis over the useful economic life. The estimated useful economic is reviewed annually and eventual changes, if necessary, are applied prospectively.

The useful lives of intangible assets with a finite useful life are as follows:

	Useful life
Industrial patents and intellectual property rights	2–5 years
Concessions, licences and Trademarks	10 years
Key money(*)	On the basis of the residual duration of the asset's lease contract

(*) Key money represent the main component of the category Other intangible assets with a finite useful life.

Development costs

Research costs are charged to the statement of income for the period in which they are incurred.

Development costs sustained in relation to specific projects are capitalized as intangible assets only where the Group is able to demonstrate the technical and/or commercial feasibility of the resulting product or service, the ability and the intent to complete the asset in such a way as to render it available for sale or internal use, the manner in which it shall generate probable future economic benefits, the availability of sufficient technical, financial or other resources necessary in order to complete the development and the ability to reliably measure the costs involved in the development thereof.

During the development period, the asset is reviewed on an annual basis for any impairment. Subsequent to initial recognition, development costs are valued at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period in which the related project is expected to generate revenues for the Group. During the period in which the asset is not yet being used, it will be reviewed annually to recognize any impairment.

Industrial patents and Intellectual property rights

Industrial patents and intellectual property rights refer to costs for software licenses and 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.

3. Accounting policies (Continued)

Other intangible assets with a finite useful life

This item mainly refers to the sums paid to lease property by taking over existing contracts or by obtaining the withdrawal of lessees so as to be able to enter into new contracts with the lessors (key-money). These charges are amortized over the duration of the lease contract.

Interests in associates and joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control; a jointly controlled entity is a joint venture that involves the establishment of a separate company, partnership or other entity in which each venturer has an interest.

An associate is a company over which the Group exercises significant influence and which is classifiable neither as a subsidiary nor as an interest in a joint venture.

The Group consolidates its investments in associates and joint ventures using the net equity method.

Under the net equity method, the investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the associated company subsequent to the date of acquisition. The goodwill relating to an associated company is included in the carrying amount of the investment and is not individually subject to amortization and/or impairment test. Subsequent to the application of the net equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associate. The Group's share of the associated company's net results for the year is recorded in the statement of income. Where there has been a change recognized directly in the equity of the associated company, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Any unrealized profits and losses deriving from transactions between the Group and the associated company are eliminated in proportion to the investment held therein.

The associated companies and the joint ventures prepare their financial statements for the same reporting period as that of the Group and apply homogeneous accounting principles for similar transactions and events occurring in similar circumstances.

If the Group ceases to exercise the significant influence over the associate, the residual interest in the associated entity is recorded at fair value. The difference between the carrying value as at the date of ceasing the exercise of the significant influence and the fair value of the residual investment and the related compensation received are recorded in the statement of income.

Financial instruments

Financial instruments are initially recorded at fair value and the subsequent measurement thereof depends on their classification, as required by IAS 39.

The accounting treatment of financial assets is differentiated between the categories:

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

On the other hand financial liabilities, are divided into only two categories:

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

3. Accounting policies (Continued)

The Group determines the classification of financial assets and liabilities at the date of the initial recognition.

The methods used to determine the fair value of these financial instruments are summarized below for the principal categories of financial instruments to which they have been applied:

- derivative financial instruments: the Group has adopted pricing models based on the values of market interest rates and exchange rates;
- receivables and payables and unlisted financial assets: the discounted cash flow method is applied for financial instruments with a maturity date after more than one year from the reporting date, this involves the discounting to present value of the expected cash flows on the basis of current market interest rates and creditworthiness conditions;
- listed financial instruments: the market quotation value at the reporting date is utilized.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group maintains the right to receive cash flows from the asset, but has entered into a contract obligation to pay them in full and with no delays to third party;
- the Group has transferred the right to receive the cash flows from the asset and (a) has transferred substantially all the risks and rewards from the ownership of the financial asset or (b) has not transferred substantially all the risks and rewards from the ownership of the asset, but has transferred control of the asset.

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

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

Impairment losses of financial assets

At the end of each reporting period, the Group assesses whether there is any objective evidence of an asset's impairment.

A financial asset or group of financial assets is subject to an impairment loss if, and only if, there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset, and the impact may be reliably estimated.

Evidence of impairment may be represented from internal and external indicators such as financial difficulties, inability to meet obligations, inability to pay financial interests or significant lump sums by debtors, or group of debtors, probability of bankruptcy or financial restructuring and additionally in case of

3. Accounting policies (Continued)

significant measurable decreases in expected future cash flows, such as changes in economic conditions related to the obligations.

In case of financial assets with variable interest rate, the discount interest rate used for the impairment test is the current effective interest rate. The book value of the assets will be netted with a provision and the residual net loss will be recorded in the statement of income.

In case of an investment in equity instrument, a "significant or prolonged" decline in fair value below its cost is considered as an objective evidence of impairment. Significant is measured in comparison with the initial cost of the financial instrument and prolonged is considered in respect of the period in which the fair value is below the initial cost.

In case there is objective evidence that the asset is impaired, the cumulative loss is removed from statement of comprehensive income and recognized statement of income. The loss is measured as the difference between the amortized cost of the financial asset and its current fair value, net of previously recognized impairment losses.

Derecognition of financial liabilities

A financial liability is derecognized from the statement of financial position when contractual obligation that gives rise to the financial liability is discharged or cancelled or expires.

In cases when the existing obligation is replaced with another obligation, assumed by the same party, with substantially different terms or the terms of the existing obligation are substantially revised, the replacement or the change is accounted as the derecognition of the initial financial liability and the recognition of the new financial liability and any resulting difference is recognized in the statement of income.

Financial assets available-for-sale

Financial assets available-for-sale are those financial assets, excluding derivatives instruments, which have been designated as such or which are not classified in another financial instrument category. After their initial recognition, financial assets available-for-sale are valued at fair value and the gains and losses are recorded in a separate heading under shareholders equity.

Investments in other companies, representing non current financial assets which are not held for trading (so-called available for sale investments), are initially recognized at fair value. Subsequently, gains and losses deriving from changes in fair value are charged directly to shareholders equity until the assets are sold or impaired; in that moment overall gains or losses which have been previously recognized under shareholders equity are charged to the income statement for the period. Investments in other smaller companies for which no market price is available, are recognized at cost, possibly written down for impairment.

Financial assets and other non current assets

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

Trade receivables

Receivables are initially recognized at fair value, which generally corresponds to the nominal value and subsequently at amortized cost and are written down for impairment. In addition, they are adjusted to their presumed realizable value by recording a specific adjustment provision.

3. Accounting policies (Continued)

Other receivables and other financial assets

They are initially recorded at *fair value* and subsequently valued at amortized cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term deposits, the latter with an original term of not more than three months.

Loans and borrowings

Loans are initially recorded at the fair value of the sums received net of the accessory charges for opening the loan. Thereafter, loans are recorded at amortized cost, calculated using the effective interest rate.

Inventories

Inventories are stated at the lower of purchase and/or production cost, determined using the average weighted cost method, and net realizable value. Purchase cost includes accessory charges; production cost consists of direct costs plus the indirect costs reasonably attributable to the product. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Non-current assets held for sale

This item includes 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 the book value and the fair value, net of costs of sale.

Provisions for risks and charges

Accruals to the provisions for risks and charges are recorded against existing commitments (legal or implicit) deriving from a past occurrence which shall probably give rise to future costs or losses, where the amount thereof can be reasonably estimated.

Where the Group believes that some or all of the costs required to settle a provision are expected to be recovered from a third party, for example in the case of risks covered by insurance policies, the indemnity receivable is recorded separately and distinctly as an asset if, and only if, it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. In this case, the accrual cost is shown in the income statement net of the amount of indemnity receivable.

Where the actuarial effects are significant, the provisions are determined by discounting the expected future cash flows using a rate of discount which reflects the current market cost of money and, if appropriate, the specific risks inherent in the liability. Where discounting takes place, the increase in the provision due to the passing of time is recorded as a financial charge.

Employee termination indemnities

The net obligation of the Group deriving from defined benefit plans is calculated separately for each plan, estimating the amount of the future benefits matured by employees during the current year and in previous years; this benefit is discounted to present value. The actuarial gains and losses are recorded in the shareholders equity, as allowed by IAS 19.

Starting from January 1, 2007, the 2007 Finance Act and related implementation decrees, introduced significant changes in the employment termination indemnity regulation, including the opportunity for the employee to choose the destination of the accruing termination indemnity to either complementary pension funds or to the "*Fondo Tesoreria*" a fund managed by INPS (Italian Social Security Agency). As

3. Accounting policies (Continued)

per IAS 19, provisions to complementary pension funds are considered "defined contribution plans" and provisions to the Fondo Tesoreria are considered "defined benefit plan".

Additionally the changes introduced since 2007 brought to a reduction of defined benefits through a change in the actuarial assumptions utilized for the determination of the employee termination indemnity, whose effects are directly charged to the statement of income.

Following the changes in the Italian legislation introduced starting from 2007 the actuarial assumptions have been revised and the relative effects recorded in the statement of income in accordance with the requirements of IAS 19.

The actuarial valuation of the liability is entrusted to independent actuaries.

Derivatives financial instruments

Derivative financial instruments are utilized solely for the purpose of hedging against the financial risks relative to fluctuations in exchange rates on commercial transactions in foreign currencies.

In accordance with IAS 39, the derivative hedging financial instruments may only be recorded using the "*hedge accounting*" method when the following conditions are met:

- at the beginning of the hedge, there exists both a formal designation and the documentation of the hedge itself;
- the hedge is expected to be highly effective;
- the effectiveness can be reliably measured, and;
- the hedge is highly effective during the various accounting periods for which it is designated.

All derivative financial instruments are stated at *fair value*. Where the derivative instruments fulfill the requisites for hedge accounting, the following accounting treatment is adopted:

(a) *Fair value hedge*: where a derivative financial instrument is designated as a hedge against the exposure to variations in the fair value of an asset or a liability recorded in the financial statements, the gain or loss deriving from subsequent variations in the fair value of the hedging instrument is recorded in the statement of income. The change in the fair value of the hedged item is also recognized in the statement of income.

(b) *Cash flow hedg*e: where a derivative financial instrument is designated as a hedging instrument against the exposure to the variability of the cash flows of an asset or a liability recorded in the financial statements or of a highly likely future operation which could have an impact on the statement of income, the effective portion of the gains or losses deriving from the adjustment to fair value of the derivative instrument is recorded in a specific reserve under shareholders' equity; the accumulated gains or losses are reversed from the shareholders' equity reserve and recorded in the statement of income in the same period in which the effects of the hedged operation are recorded in the statement of income. The gain or loss associated with the ineffective part of the hedge is credited/charged directly to the statement of income.

Where the conditions necessary for the application of hedge accounting do not exist, the gains or losses deriving from the valuation of the derivative financial instrument at fair value are recorded directly in the statement of income.

Cost and revenue recognition

Revenues are recorded to the extent that the revenue can be reliably measured and it is probable that the economic benefits will flow to the Group. Revenue, stated net of returns, discounts, rebates and bonuses, are recorded at fair value, considering terms of payment agreed and excluding taxes and duties.

3. Accounting policies (Continued)

Product sales

Revenues and costs are shown in accordance with the accruals principle. Revenues and income are recorded net of returns, discounts, allowances and premiums.

Revenues for product sales are recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, which generally corresponds to the shipment of goods.

Royalties

Revenues for royalties are recorded on an accrual basis in accordance with contract terms.

The costs of advertising and research, in accordance with IAS 38, are charged in full to the statement of income when the service is rendered to the Group.

Share-based payment plans—stock options

The Group awards additional benefits to some directors, managers, and other employees through stock option plans, are classed as equity settled.

In the presence of stock option plans belonging to the equity settled category, in accordance with the provisions of IFRS 2 Share-based payment stock options in favor of employees are valued at fair value when they are granted, and this value is determined using the binomial model. This model takes account of all the features of the options (duration of the option, exercise price and conditions, etc.), as well as the value of the underlying shares at the grant date and their expected volatility. If the options can be exercised after a certain period (vesting period) and on the occurrence of specific performance conditions, the overall value of the options is divided pro rata temporis over this period and is recorded in a separate item under shareholders equity.

At the end of each year, the fair value of the options which has been determined previously is not reviewed, but on this date the estimate of the number of options which will vest up to the expiry is updated.

The related cumulated costs are recorded at the end of each financial year up to the maturity date and are directly linked to the maturity period and to the best available estimate of the numbers of stock options that will be effectively exercised at the maturing date. The gain or loss recorded in statement of income for the year represents the change of the cumulated cost during the period.

The costs for rights that will not arrive to the definitive maturity date will not be recorded, unless the granting of the rights is subordinated to market conditions.

Given share-based transactions which are settled in cash, the assets or services acquired and the liabilities taken on are measured at fair value. 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 statement of income.

Financial income and charges

Financial income and charges are recorded on an accruals basis on the basis of the interest matured on the net value of the relative financial asset and liability, using the effective interest rate.

Dividends

Dividends are recorded when the shareholders right to receive payment arises.

Income taxes

Current taxation

Current taxation represents an estimate of the tax charge, calculated on the basis of the fiscal legislation in force in those countries in which the Ferragamo Group operates.

3. Accounting policies (Continued)

The liability for current tax payable is recorded in the statement of financial position net of eventual advance payments of tax.

Deferred taxation

Deferred taxation is calculated on the timing differences resulting at the reporting date between the values of assets and liabilities recorded in the financial statements and the corresponding values recognized for fiscal purposes.

Deferred tax liabilities are recognized for all taxable timing differences except for:

- the temporary differences arisen from the initial recognition of goodwill or, for transactions other than business combinations, of other assets or liabilities in transactions that have no influence either on accounting profit or on taxable income;
- the taxable temporary differences relating to investments in subsidiaries, associates or joint ventures, in case when the Group is able to monitor the reversal of the temporary differences and they are unlikely to be reversed in the foreseeable future.

Deferred tax assets are recognized for all deductible timing differences and for unused tax credits and unused tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the unused tax credits and unused tax losses carried forward can be utilized, except for:

- the temporary differences arise from transactions other than business combinations, of other assets or liabilities in transactions that have no influence either on accounting profit or on taxable income;
- the taxable temporary differences relating to investments in subsidiaries, associates or joint ventures; the related deferred tax assets are recorded to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current taxes and deferred taxes related to items that are charged/credited directly to the shareholders' equity or to the statement of comprehensive income, are also recorded directly in the shareholders' equity or in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset where there exists a legal right to offset current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same fiscal authority.

Value added tax (VAT)

All costs, revenues and assets are stated net of value added tax with the exception of:

- where the tax incurred on a purchase of assets or services is not recoverable from the fiscal authority, in which case the tax is recognized as part of the purchase cost of the asset or as part of the expense item charged to the statement of income;

3. Accounting policies (Continued)

- trade receivables and payables, where the relative invoices include the value added tax.

The net amount of value added tax recoverable from or payable to the fiscal authority is included in other receivables or payables respectively in the financial statements.

Earnings per share

The basic earnings per share is calculated dividing the Group's net income by the average weighted number of shares in circulation during the year. The diluted earnings per share is calculated on the assumption that all of the other shares and bonds with a potential dilutive effect are converted, thus increasing the weighted average number of shares in circulation. The net result of the Group is also adjusted to take account of the effects of this conversion, net of the related tax effects.

Put and call options granted to non-controlling interests

In case of put options granted to holders of non-controlling interests the company records a financial liability stated at the fair value. When the financial liability is recognized the corresponding non-controlling interests are reclassified and included in this financial liability.

The carrying value of the financial liability is reviewed at each reporting date as per IAS 39. The accounting treatment chosen by the Group entails:

(a) allocation of economic results to non-controlling interests;

(b) reclassification of non-controlling interests as debt at each reporting date;

(c) Recognition as an adjustment to equity of any difference between the debt representing the commitment to repurchase the non-controlling interests and the carrying amount of reclassified non-controlling interests.

Changes in accounting principles, new accounting principles, changes in estimates and reclassifications

The accounting standards applied for the preparation of the consolidated financial statements as of and for the year ended December 31, 2010 are consistent with those applied in prior year beside for the following new or revised IFRS and IFRIC interpretations that came into force starting from January 1, 2010:

- IFRS 2 "Share based payment: operations with cash-settled share based payments" came into force starting from January 1, 2010;
- IFRS 3 "Business Combinations (Revised)" and IAS 27 "Consolidated and Separate Financial Statements (Amended)" came into force starting from July 1, 2009 including the related amendments to IFRS 2, IFRS 5, IFRS 7, IAS 28, IAS 31 and IAS 39;
- IAS 39 "Financial Instruments: Recognition and measurement—Eligible Hedged Items" came into force starting from July 1, 2009;
- IFRIC 17 "Distribution of non-cash assets to owners";
- IFRIC 18 "Transfers of assets from customers";
- Improvements to IFRS (May 2008 and April 2009).

3. Accounting policies (Continued)

In preparing the consolidated financial statements presented, the Ferragamo Group adopted the following accounting standards:

IFRS 2 Share based payment: operations with cash-settled share based payments (revised)

The IASB issued an amendment to IFRS 2 clarifying purposes and accounting of group operations with cash-settled share based payments. The Group applies this amendment as from January 1, 2010. This adoption did not have any impact on the financial position or on the results of the Group.

IFRS 3 Business Combinations (Revised) and IAS 27Consolidated and Separate Financial Statements (Amended)

Changes introduced by the revised IFRS 3 and the amended IAS 27 relate acquisition or loss of control of a subsidiary and transactions with non-controlling interests.

The revised IFRS 3 introduced significant changes in relation to the business combinations accounting. The main changes relate to evaluation of non-controlling interests, accounting of the acquisition-related costs, initial recognition and subsequent measurement of contingent consideration and step acquisitions. The adoption of these changes will impact on the goodwill recognized and on the results of the Group for the period in which the acquisition will be made and on the future results.

The amended IAS 27 establishes that a change of the ownership interests of a subsidiary, in which the parent company retains control, does not result in a gain or loss and any goodwill arise. The transaction is accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). Additionally the amended IAS 27 introduced changes related to the accounting treatment of loss of the subsidiary and loss of control of the subsidiary.

The described above changes in accounting principles have been applied prospectively and did not have any significant impact on earnings per share.

Amendments to IAS 32 and IAS 1—Puttable financial instruments and obligations arising on liquidation

On February 14, 2008, International Accounting Standards Board (IASB) amended the IAS 32—"Financial Instruments Presentation" and the IAS 1 "Presentation of Financial Statements—Puttable financial instruments and obligations arising on liquidation". These amendments require to reclassify some financial instruments that currently are classified as financial liability as equity because their features are similar to those of ordinary shares. Whether applicable the amendments require additional disclosures related to the reclassification of the puttable financial instruments from financial liability to equity.

The described above change in accounting principles has been applied prospectively and did not have any significant impact on earnings per share.

IAS 39 Financial Instruments: Recognition and measurement—Eligible Hedged Items

The amendment clarifies that an entity is allowed to design portion of the changes in fair value or cash flows attributable to the risk hedged; and also the inflation may be designed as risk hedged or as portion of the risk in particular cases. As the Group does not use similar hedging instruments, the Ferragamo Group concludes that this amendment will not have any impact on the financial position or on the results of the Group.

IFRIC 12—Service concession arrangements

IFRIC 12 is an interpretation that clarifies how to apply to service concession arrangements.

In particular IFRIC 12 provides guidance to the operator how to account for obligations and rights received by the grantor of the concession arrangements. This interpretation allows three methods of accounting (i.e. intangibile asset model, financial asset model and bifurcated model) depending on the

3. Accounting policies (Continued)

level of uncertainty, to which the grantor is exposed, in connection to the cash flows of the concession arrangements and the obligations related to the use of the infrastructure used to provide the service.

IFRIC 15 Agreements for the construction of real estate

On July 3, 2008 the International Financial Reporting Interpretations Committee (IFRIC) published the IFRIC 15—Agreements for the construction of real estate.

IFRIC 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and, accordingly, when revenue from the construction should be recognized.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

On July 3, 2008 the International Financial Reporting Interpretations Committee (IFRIC) published the IFRIC 16—Hedges of a Net Investment in a Foreign Operation.

The interpretation clarifies how to apply the requirements of IAS 21 and IAS 39 to an entity that hedges the foreign currency risk arising from its net investments in foreign operations.

IFRIC 17 Distributions of non-cash assets to owners

The interpretation provides indication how an entity should to account for distributions of non-cash assets, such as dividends or reserves, to owners. The interpretation did not have any impact on the financial position or the results of the Group.

IFRIC 18 Transfers of assets from customers

The IFRIC 18 clarifies how to account for items of property, plant and equipment or cash received from a customer only to acquire or construct items of property, plant and equipment.

Improvements to IFRSs

In May 2008 and in April 2009 the IASB issued a series of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or on the results of the Group:

Improvements issued in May 2008

IFRS 5 Non-current assets held for sale and discontinued operations clarifies that when a subsidiary is classified as non-current asset held for sale all the directly related assets and liabilities are classified as non-current assets (liabilities) held for sale. This applies also in those case where the controlling entity will maintain a non-controlling interest in the entity. The change has been applied prospectively and did not have any significant impact on the financial position or on the results of the Group:

Improvements issued in April 2009

- IFRS 5 Non-current assets held for sale and Discontinued operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or relative to discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.
- IFRS 8 Operating segments clarifies that assets and liabilities related to operating segment shall be reported in the same basis as used internally by the management. Management reviews assets and liabilities related to operating segment therefore the Group continues to disclose these segment information.

3. Accounting policies (Continued)

- IAS 7 Statement of cash flows: states explicitly that only those expenditures that result in a recognized asset in the statement of financial position can be classified as investing activities in the statement of cash flows. This amendment has impact on the presentation of the Group's statement of cash flows for the contingent consideration related to the business combination completed in 2010 when the cash settlement occurs.
- IAS 36 Impairment of assets: the amendment clarified that the largest identifiable cash generating unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. This amendment does not have impact on the Group as the annual impairment test is performed before the aggregation.

The following accounting standards, amendments and interpretations that have been issued did not have impact on the accounting, on financial position or results of the Group:

Issued in April 2009

- IFRS 2 Share-based payments;
- IAS 1 Presentation of financial statements;
- IAS 17 Leasing;
- IAS 34 Interim financial reporting;
- IAS 38 Intangible assets;
- IAS 39 Financial instruments: recognition and measurement;
- IFRIC 9 Reassessment of embedded derivatives.

New standards, amendments and interpretations becoming effective in the the future fiscal years

A summary of the new accounting standard or interpretation that will become effective in the future fiscal years and the estimate of the potential impact on the future financial statements:

IFRIC 14 The limit on a defined benefit asset, minimum funding requirements

On November 15, 2009 the International Financial Reporting Interpretations Committee (IFRIC) published the amendments to the interpretation IFRIC 14 "The limit on a defined benefit asset, minimum funding requirements". The purpose of this amendment is to clarify the accounting where an entity makes voluntary minimum prepaid contributions. In case of defined benefit plan requiring a minum funding, the IFRIC 14 requires to treat prepaid contributions as advanced payments.

IFRIC 19: Extinguishing financial liabilities with equity instruments

On November 26, 2009 the International Financial Reporting Interpretations Committee (IFRIC) published the interpretation FRIC 19 Extinguishing financial liabilities with equity instruments, with the purpose of providing guidance to the debtor on the accounting for equity instruments issued to fully or partially extinguish financial liabilities as a consequence of the renegotiation of new terms. The Group's subsidiaries will apply the amended IFRIC 19 and IFRS 1 starting from the first financial year beginning after June 30, 2010 at the latest.

IAS 24: related party disclosures

On November 4, 2009 the International Accounting Standards Board (IASB) issued the revised International Accounting Standard (IAS) 24—Related party disclosure. Amendments introduced by the revised IAS 24 aimed to simplify the definition of related party and at the same time to eliminate incongruencies and to dispense government entities with some disclosures regarding transactions with

3. Accounting policies (Continued)

related parties. The Group's companies.will start to apply the amended IAS 24 and IFRS 8 from the date of the beginning of the first financial year starting after December 31, 2010, at the latest.

4. Business combinations and acquisition of non-controlling interests

The following new Standards or Interpretations have been published by the IASB but have not yet been endorsed by the European Union:

- IFRS 7 Financial instruments disclosures;
- IFRS 9 Financial instruments;
- IAS 12 income taxes—Deferred taxes: Recovery of Underlying Assets.

During 2010 there were no business combinations.

The acquisitions of non-controlling interests occurred during 2008, 2009 and 2010 are summarized as follows:

Ferragamo Suisse S.A

On January 2010, FIBV finalized the acquisition of n. 490 shares, representing 49% of the share capital, of Ferragamo Suisse SA, company established under the Swiss law, for a total amount of CFH 100,000 (Euro 68,204), thus reaching the 100% investment in Ferragamo Suisse SA, in which it previously held a 51% controlling interest. As a consequence the Group derecognized the shareholders' equity attributable to non-controlling interest for Euro 148 thousands and accrued a negative equity reserve for Euro 216 thousands.

Ferragamo Retail India Private Limited

On September 12, 2008 the Group through its subsidiary FIBV acquired a controlling interest in the Indian company Nelia Retail Private Limited (in 2009 renamed Ferragamo Retail India Private Limited) subscribing 51% of the ordinary voting shares through the increase of shares offered exclusively to the Group. The residual non controlling interest is held by DLF Retail Brands Pvt. Ltd. The Indian company's purpose is the expansion of the core business in the Indian market. During the period from the acquisition to the end of the year the company opened 3 new stores and restructured the store in franchisee, opened before the establishment of the joint venture with DLF.

4. Business combinations and acquisition of non-controlling interests (Continued)

The table below summarizes the data related to the transaction:

	Book value before the acquisition	Fair value adjustments	Fair value as at the acquisition date
	(in thousands of Euro)		
Property, plant and equipment	1,317		1,317
Intangible assets with a finite useful life	937		937
Advances	258		258
Deferred tax assets	80		80
Inventories	1,163		1,163
Trade receivables	25		25
Other receivables	167		167
Cash and cash equivalents	1,268		1,268
	5,215		5,215
Deferred tax liabilities	(320)		(320)
Trade payables	(1,032)		(1,032)
Loans and borrowings	(1,784)		(1,784)
Other payables	(215)		(215)
	(3,351)		(3,351)
Net assets	**1,864**		**1,864**
Non-controlling interests (49%)			(913)
Net assets acquired			**951**
Goodwill			260
Total purchase price			**1,211**

As at the registration date (September 12, 2008), Nelia Retail Private Limited, contributed to the Group's net result, for the year 2008, with a loss of Euro 486 thousand.

The goodwill, recognized as at the acquisition date, amounting to Euro 260 thousand, relates to the commercial and organizational *knowhow* of the entity acquired. The transaction involved an expense of Euro 1,211 thousand, cash and cash equivalents acquired through the transaction amounted to Euro 1,268 thousands, therefore the net cash position resulted positive for Euro 57 thousands.

Regarding the investment in the subsidiary Ferragamo Retail India Private Limited, in March 2010 the Group modified the Shareholders' Agreement with the local partner to include, among others, the right for the Group to immediately buy the non controlling interest (representing 49% of the shareholders) at the fixed price of Indian Rupee 34,324,000, increased by the interests calculated on the basis of defined parameters. The Group has the right to exercise the call option up to June 30, 2016; in case that the Group will not exercise the call option within the terms the partner will have the opportunity to exercise a put option with similar terms.

In consideration of the fixed price of the option and of contractual terms that guarantee to non controlling shareholders only the capital remuneration, starting from April 1, 2010 the Group has integrally consolidated the company Ferragamo Retail India Private Limited as management believe that the Group already got access to the economic benefits related to the non-controlling interest. As a consequence, as of December 31, 2010, the Group derecognized the shareholders' equity attributable to non-controlling interest for Euro 290 thousands, accrued a negative reserve in the shareholders' equity attributable to owners of the Company for Euro 277 thousands and recognized a financial liability for Euro 567 thousands.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

5. Property, plant and equipment

The following table sets forth the historical cost, the accumulated depreciation and the net book value of the item property, plant and instrumental equipments as of December 31, 2008, 2009 and 2010:

	As of December 31,								
	2008			2009			2010		
	Historical cost	Accumulated Depreciation	Net book value	Historical cost	Accumulated Depreciation	Net book value	Historical cost	Accumulated Depreciation	Net book value
	(in thousands of Euro)								
Land	17,395	—	17,395	17,870	—	17,870	18,790	—	18,790
Buildings	35,414	10,885	24,529	36,960	11,951	25,009	39,118	14,104	25,014
Plant and machinery	12,435	10,665	1,770	14,143	11,066	3,077	14,888	11,774	3,114
Industrial and commercial equipments	68,874	39,841	29,033	75,124	46,815	28,309	74,395	47,281	27,114
Other assets	28,079	21,857	6,222	29,550	23,200	6,350	32,904	25,351	7,553
Improvements on third party assets	62,518	33,819	28,699	65,356	40,549	24,807	87,596	62,820	24,776
Work in progress and advances	4,310	—	4,310	1,049	—	1,049	1,275	—	1,275
Total	**229,025**	**117,067**	**111,958**	**240,052**	**133,581**	**106,471**	**268,966**	**161,330**	**107,636**

The tables below set forth the changes in property plant and equipments for the year ended December 31, 2008, 2009 and 2010:

	For the year ended December 31, 2008							
	Net book value as of Jan. 1, 2008	Translation difference	Additions	Disposals	Depreciation	Reclassi- fications	Changes in consolidation area	Net book value as of Dec. 31, 2008
	(in thousands of Euro)							
Land	19,338	(1,943)	—	—	—	—	—	17,395
Buildings	25,550	(5)	255	49	1,320	—	—	24,529
Plant and machinery	766	(3)	1,496	(64)	467	42	—	1,770
Industrial and commercial equipments	25,824	2,170	8,490	(61)	7,127	(265)	2	29,033
Other assets	5,952	(93)	3,911	(629)	2,704	(229)	14	6,222
Improvement on third party assets	27,665	464	8,387	(67)	7,832	—	82	28,699
Work in progress and advances	156	135	4,463	(2,560)	—	883	1,233	4,310
Total	**105,251**	**725**	**27,002**	**(3,332)**	**19,450**	**431**	**1,331**	**111,958**

Additions:

- In the item Buildings relate to improvements on the properties located in USA and on the facility located at Osmannoro-Sesto Fiorentino;
- In industrial and commercial equipments relate to the opening and restructuring of stores (Euro 7.8 millions) and moulds (Euro 0.7 millions) for the Fragrances business;
- In other assets mainly relate to IT equipments (Euro 1.3 millions) and furniture and furnishing (Euro 1.7 millions);
- In improvements on third party assets mainly work carried out for the opening and restructuring of the stores.

Changes in consolidation area relate to the book value of the tangible assets of the Indian company Nelia Retail Private Limited as determined at the purchase date.

5. Property, plant and equipment (Continued)

Disposals mainly refer to assets in restructured or closed stores; as regards to the disposals in the item Other assets, they relate to the sale of furniture and furnishings by the Company to Palazzo Feroni Finanziaria SpA (a related party) as indicated in the section non-recurring transactions in the Board of Directors report on operations.

	For the year ended December 31, 2009						
	Net book value as of Jan. 1, 2009	Translation difference	Additions	Disposals	Depreciation	Reclassi-fications	Net book value as of Dec. 31, 2009
	(in thousands of Euro)						
Land	17,395	475	—	—	—	—	17,870
Buildings	24,529	(145)	1,988	—	1,363	—	25,009
Plant and machinery	1,770	(2)	1,936	(44)	577	(6)	3,077
Industrial and commercial equipments	29,033	(645)	8,815	(160)	8,791	57	28,309
Other assets	6,222	(30)	3,150	(36)	2,956	—	6,350
Improvement on third party assets	28,699	(433)	5,609	(457)	8,560	(51)	24,807
Work in progress and advances	4,310	(17)	4,390	(7,568)	—	(66)	1,049
Total	**111,958**	**(797)**	**25,888**	**(8,265)**	**22,247**	**(66)**	**106,471**

Additions:

- In the item Buildings relate to improvements on the properties located in USA and on the facility located at Osmannoro-Sesto Fiorentino;
- In industrial and commercial equipments relate to the opening and restructuring of stores (Euro 8.3 millions) and moulds (Euro 0.5 millions) for the Fragrances business;
- In other assets mainly relate to IT equipments (Euro 1.1 millions) and furniture and furnishing (Euro 1.12 millions);
- In improvements on third party assets mainly work carried out for the opening and restructuring of the stores.

Disposals mainly refer to assets in restructured or closed stores.

	For the year ended December 31, 2010						
	Net book value as of Jan. 1, 2010	Translation difference	Additions	Disposals	Depreciation	Reclassi-fications	Net book value as of Dec. 31, 2010
	(in thousands of Euro)						
Land	17,870	920	—	—	—	—	18,790
Buildings	25,009	848	564	—	1,407	—	25,014
Plant and machinery	3,077	9	899	(1)	870	—	3,114
Industrial and commercial equipments	28,309	2,502	10,481	(476)	8,720	(4,982)	27,114
Other assets	6,350	574	4,346	(8)	2,981	(728)	7,553
Improvements on third party assets	24,807	2,293	1,796	(499)	9,331	5,710	24,776
Work in progress and advances	1,049	110	1,807	(1,691)	—	—	1,275
Total	**106,471**	**7,256**	**19,893**	**(2,675)**	**23,309**	**—**	**107,636**

5. Property, plant and equipment (Continued)

Additions:

- In the item Buildings relate to improvements on the properties located in USA and on the facility located at Osmannoro-Sesto Fiorentino;
- In industrial and commercial equipments relate to the opening and restructuring of stores (Euro 10.0 millions) and moulds (Euro 0.4 millions) for the Fragrances business;
- In other assets mainly relate to IT equipments (Euro 1.3 millions) and furniture and furnishing (Euro 1.1 millions);
- In improvements on third party assets mainly work carried out for the opening and restructuring of the stores.

Disposals mainly refer to assets in restructured or closed stores.

6. Investment property

The following table sets forth the historical cost, the accumulated depreciation and the net book value of the investment property as of December 31, 2008, 2009 and 2010:

	As of December 31,								
	2008			2009			2010		
	Historical cost	Accumulated Depreciation	Net book value	Historical cost	Accumulated Depreciation	Net book value	Historical cost	Accumulated Depreciation	Net book value
	(in thousands of Euro)								
Land	4,022	—	4,022	3,885	—	3,885	4,189	—	4,189
Buildings	9,465	5,666	3,799	9,144	5,762	3,382	9,866	6,520	3,346
Total	**13,487**	**5,666**	**7,821**	**13,029**	**5,762**	**7,267**	**14,055**	**6,520**	**7,535**

Investment property refers entirely to the buildings and land located in the United States. Their residual useful life as of December 31, 2010 is estimated to be approximately 30 years.

6. Investment property (Continued)

The tables below set forth the changes in investment property for the year ended December 31, 2008, 2009 and 2010:

	For the year ended December 31, 2008					
	Net book value as of Jan. 1, 2008	Translation difference	Additions	Disposals	Depreciation	Net book value as of Dec. 31, 2008
	(in thousands of Euro)					
Land	3,802	220			—	4,022
Buildings	3,875	208			284	3,799
Total	**7,677**	**428**			**284**	**7,821**

	For the year ended December 31, 2009					
	Net book value as of Jan. 1, 2009	Translation difference	Additions	Disposals	Depreciation	Net book value as of Dec. 31, 2009
	(in thousands of Euro)					
Land	4,022	(137)			—	3,885
Buildings	3,799	(119)			298	3,382
Total	**7,821**	**(256)**			**298**	**7,267**

	For the year ended December 31, 2010					
	Net book value as of Jan. 1, 2010	Translation difference	Additions	Disposals	Depreciation	Net book value as of Dec. 31, 2010
	(in thousands of Euro)					
Land	3,885	304	—		—	4,189
Buildings	3,382	266	8		310	3,346
Total	**7,267**	**570**	**8**		**310**	**7,535**

7. Intangible assets with definite useful life

The following table sets forth the breakdown of the intangible assets with definite useful life as of December 31, 2008, 2009 and 2010:

	As of December 31,								
	2008			2009			2010		
	Historical cost	Accumulated Depreciation	Net book value	Historical cost	Accumulated Depreciation	Net book value	Historical cost	Accumulated Depreciation	Net book value
	(in thousands of Euro)								
Industrial patents and intellectual property rights	8,576	7,690	886	10,792	9,666	1,126	12,625	10,934	1,691
Concessions, licenses and trademarks	6,036	4,465	1,571	6,349	4,828	1,521	6,670	5,174	1,496
Other assets with definite useful life	22,710	12,271	10,439	21,833	11,967	9,866	24,266	14,436	9,830
Work in progress	1,095	—	1,095	1,304	—	1,304	1,871	—	1,871
Total	**38,417**	**24,426**	**13,991**	**40,278**	**26,461**	**13,817**	**45,432**	**30,544**	**14,888**

7. Intangible assets with definite useful life (Continued)

The tables below set forth the changes in intangible assets with definite useful life for the years ended December 31, 2008, 2009 and 2010:

	For the year ended December 31, 2008							
	Net book value as of Jan. 1, 2008	Translation difference	Additions	Disposals	Amortization	Reclassi-fications	Changes in consolidation area	Net book value as of Dec. 31, 2008
	(in thousands of Euro)							
Industrial patents and intellectual property rights	822	36	752	—	731	7	—	886
Concessions, licenses and trademarks	1,559	—	396	—	384	—	—	1,571
Other assets with definite useful life	8,510	356	1,495	—	1,314	445	947	10,439
Work in progress	882	2	2,116	(1,023)	—	(883)	1	1,095
Total	**11,773**	**394**	**4,759**	**(1,023)**	**2,429**	**(431)**	**948**	**13,991**

	For the year ended December 31, 2009						
	Net book value as of Jan. 1, 2009	Translation difference	Additions	Disposals	Amortization	Reclassi-fications	Net book value as of Dec. 31, 2009
	(in thousands of Euro)						
Industrial patents and intellectual property rights	886	(1)	781	—	901	361	1,126
Concessions, licenses and trademarks	1,571	—	313	—	363	—	1,521
Other assets with definite useful life	10,439	(176)	1,298	(1)	1,399	(295)	9,866
Work in progress	1,095	1	1,385	(1,177)	—	—	1,304
Total	**13,991**	**(176)**	**3,777**	**(1,178)**	**2,663**	**66**	**13,817**

	For the year ended December 31, 2010						
	Net book value as of Jan 1, 2010	Translation difference	Additions	Disposals	Amortization	Reclassifications	Net book value as of Dec. 31, 2010
	(in thousands of Euro)						
Industrial patents and intellectual property rights	1,126	73	974	—	980	498	1,691
Concessions, licenses and trademarks	1,521	—	322	—	347	—	1,496
Other assets with definite useful life	9,866	533	1,686	—	1,757	(498)	9,830
Work in progress	1,304	1	1,895	(1,329)	—	—	1,871
Total	**13,817**	**607**	**4,877**	**(1,329)**	**3,084**	**—**	**14,888**

Other intangible assets mainly refer to the amount 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 (key-money). The item also includes software development costs related to the capitalization of expenses (mainly IT consultancy) for the development of business software applications (SAP accounting system, ERP production system, reporting systems, e-commerce platform which started the sales during 2009).

7. Intangible assets with definite useful life (Continued)

The following table sets forth the net book value and the breakdown by geographical area of the key money as of December 31, 2008, 2009 and 2010:

Key-money	As of December 31, 2008	2009	2010
	(in thousands of Euro)		
Europe (excluding Italy)	3,029	2,443	2,134
North America	3,469	3,181	3,165
Asia and Pacific	867	870	862
Total	**7,365**	**6,494**	**6,161**

8. Goodwill and other intangible assets with indefinite useful life

As of December 31, 2010 the Group does not have in its financial position any goodwill and other intangible assets with indefinite useful life.

The table below sets forth the changes in goodwill for the year ended December 31, 2008, 2009 and 2010:

	As of December, 31 2008			2009			2010		
	Gross book value	Impairment	Net book value	Gross book value	Impairment	Net book value	Gross book value	Impairment	Net book value
	(in thousands of Euro)								
Goodwill	227		227	229	229		—		—
Total	**227**		**227**	**229**	**229**	**—**	**—**		**—**

Goodwill arising from the acquisition of 51% of the Indian company Nelia Retail Private Limited, as reported in the Note "business combination and acquisition of non-controlling interests", before being impaired has been adjusted to reflect the year end Exchange rate as required by the related standard for currency other than Euro (INR Indian rupee).

9. Investments in associates and joint ventures

On September 29, 2006 the Group acquired 50% of Zefer S.p.A., a 50% joint-venture with the Zegna group, aimed to the production of footwear and leather goods, using the consultancy and technical support provided by the Company. The company has been accounted for using the equity method since the date of the acquisition.

10. Financial assets available for sale

The tables below set forth the breakdown and changes in financial assets available for sale as of and for the year ended December 31, 2008, 2009 and 2010:

	For the year ended December 31, 2008						
	Percentage of investment	Book value as of Jan. 1, 2008	Translation difference	Additions	Disposals	Impairment	Book value as of Dec. 31, 2008
			(in thousands of Euro)				
Polimoda Consulting S.r.l.	0.82%	20	—	—	—	—	20
Fondo Amphora	2.8%	25	2	—	—	—	27
Other assets	—	—	5	46	—	(24)	27
Total		**45**	**7**	**46**	**—**	**(24)**	**74**

	For the year ended December 31, 2009					
	Percentage of investment	Book value as of Jan. 1, 2009	Translation difference	Additions	Disposals	Book value as of Dec. 31, 2009
			(in thousands of Euro)			
Polimoda Consulting S.r.l.	0.82%	20	—	—	—	20
Fondo Amphora	2.8%	27	(1)	—	—	26
Other assets		27	(2)	—	—	25
Total		**74**	**(3)**	**—**	**—**	**71**

	For the year ended December 31, 2010					
	Percentage of investment	Book value as of Jan. 1, 2010	Translation difference	Additions	Disposals	Book value as of Dec., 31 2010
			(in thousands of Euro)			
Polimoda Consulting S.r.l.	0.82%	20	—	—	—	20
Fondo Amphora	2.8%	26	2	—	(28)	—
Other assets		25	6	—	—	31
Total		**71**	**8**	**—**	**(28)**	**51**

11. Other non-current assets

The following table sets forth the breakdown of the other non-current assets as of December 31, 2008, 2009 and 2010:

	As of December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Advances to suppliers	1,500	1,100	1,250
Other non-current assets	5,213	3,748	3,807
Total	**6,713**	**4,848**	**5,057**

Advances to suppliers relate to royalties paid in advance by Ferragamo Parfums S.p.A. to the owner of the Ungaro fragrance brand, as per the license agreement signed in November 2005 and subsequently amended at the beginning of the fiscal year 2011. These advances will be compensated with the royalties accrued starting from January, 1 2012.

11. Other non-current assets (Continued)

The item Other non-current assets includes the quota related to rental income from the investment properties in USA, as per the relevant standards and amounted to Euro 0.5 million as of December 31, 2008 and Euro 3.4 million as of December 31, 2009 and 2010.

12. Other non-current financial assets

The following table sets forth the breakdown of the other non-current financial assets as of December 31, 2008, 2009 and 2010:

	As of December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Financial receivables due after 12 months	21	20	—
Guarantees deposits	5,348	5,721	6,769
Other receivables for long term hedge derivatives	1,519	—	155
Total	**6,888**	**5,741**	**6,924**

Guarantee deposits from third parties refer to guarantee deposits for existing rental contracts and are accounted for at amortized cost. The item Other receivables for long term hedge derivatives relates to the fair value assessment of hedge derivatives (forward contracts) entered into by the Company to manage the exchange rate risk and expiring over 12 months.

13. Inventories

The following table sets forth the breakdown of the inventories as of December 31, 2008, 2009 and 2010:

	As of December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Raw materials, accessories and consumables	34,605	29,411	32,351
Provision for obsolete inventory	(6,564)	(7,480)	(4,795)
Raw materials, accessories and consumables	28,041	21,931	27,556
Finished products and goods to resale	179,175	156,849	172,484
Provision for obsolete inventory	(15,036)	(16,473)	(17,260)
Finished products and goods to resale	164,139	140,376	155,224
Total	**192,180**	**162,307**	**182,780**

As of December 31, 2009 raw materials decreased, compared to December 31,2008, due to the lower production volumes, as a consequence of the reduction in sales; the provision reflects the obsolescence of raw materials (leathers and accessories) which are no longer suitable for the Group' s production plans. The decrease in finished products and goods to resale is due to both the reduction in sales and the improved rotation of stocks. The exchange rate effect also contributed to the reduction of this item, without the exchange rate effect the net change would have been resulted in a decrease of Euro −20.3 millions (change due to exchange rate Euro −3.5 millions, in particular Japanese Yen and US Dollar).

As of December, 31 2010 raw materials increased compared to December 31, 2009 due to the larger production volumes during 2010 as a consequence of the increase in sales; the provision for obsolete inventory reflects the obsolescence of raw materials (such as leathers and accessories) which are not longer suitable for the Group's production plans. Increase in finished products and goods to resale is entirely due to the Euro depreciation in respect of other foreign currencies such as US Dollar and Japanese Yen, without the exchange rate effect the net change would have been resulted in a decrease of

13. Inventories (Continued)

Euro −5.7 millions (change due to exchange rate Euro +20.5 millions, in particular Japanese Yen and US Dollar).

The following table sets forth the provision for obsolete inventory made for the year ended December 31, 2008, 2009 and 2010:

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Raw materials	2,024	917	(2,686)
Finished products	10,918	1,715	(621)
Total	**12,942**	**2,632**	**(3,307)**

14. Trade receivables

The following table sets forth the breakdown of the trade receivables as of December 31, 2008, 2009 and 2010:

	As of December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Trade receivables from third parties	69,217	60,823	78,970
Provision for bad debt	(3,076)	(3,494)	(3,628)
Trade receivables from related parties	22	18	35
Trade receivables from associates	—	—	—
Total	**66,163**	**57,347**	**75,377**

For the terms and conditions on receivables from related parties please refer to the Section “Transactions with related parties”.

As of December 31, 2008, 2009 and 2010 trade receivables relate to the Fragrances business amount to Euro 15.4 millions, Euro 11.5 millions and Euro 9.1 millions, respectively; the remaining part relates to the other businesses, mainly the wholesale sales. Trade receivables do not bear interests and are generally due in less than 90 days. The related provision for bad debt is considered adequate to meet any cases of insolvency.

The tables below set forth the changes in provision for bad debt for the year ended December 31, 2008, 2009 and 2010:

	For the year ended December 31, 2008				
	Book value as of 01.01.2008	Translation difference	Addition	Reversal	Book value as of 12.31.2008
	(in thousands of Euro)				
Total	**2,943**	**53**	**735**	**(655)**	**3,076**

	For the year ended December 31, 2009				
	Book value as of Jan. 1, 2010	Translation difference	Addition	Reversal	Book value as of Dec. 31, 2010
	(in thousands of Euro)				
Total	**3,076**	**(24)**	**902**	**(460)**	**3,494**

14. Trade receivables (Continued)

	For the year ended December 31, 2010				
	Book value as of 01.01.2010	Translation difference	Addition	Reversal	Book value as of 12.31.2010
	(in thousands of Euro)				
Total	**3,494**	**70**	**681**	**(617)**	**3,628**

For the analysis of the trade receivables overdue please refer to the Financial risks management section.

15. Tax receivables

The following table sets forth the breakdown of the tax receivables as of December 31, 2008, 2009 and 2010:

	As of December 31,		
	2008	2009	2010
	(in thousands of Euro)		
—Due from tax authorities for VAT and other taxes	7,949	3,466	4,151
—Due from tax authorities for income taxes	7,288	1,799	1,691
—Advances withholding taxes	3	2	3
Total	**11,344**	**5,267**	**5,845**

The decrease in tax receivables as of December 31, 2009 and in particular: the decrease in tax receivables for VAT is related to the decrease in turnover and to the collection of receivables relating to previous years for the subsidiary Ferragamo Parfums S.p.A. Fragrances business, while the decrease in tax receivables for income taxes it is due to the reduction in tax advances paid during the year, especially by Group companies located in the United States.

The increase in tax receivables as of December 31, 2010 and in particular for VAT is strictly connected to the increase in turnover.

16. Other current assets

The following table sets forth the breakdown of the other current assets as of December 31, 2008, 2009 and 2010:

	As of December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Other receivables	16,717	15,613	7,939
Other receivables from associates and joint ventures	1,764	1,267	1,459
Other receivables from related parties	18	722	218
Accrued income	1,034	398	517
Prepaid expenses	5,932	6,767	8,669
Other receivables for short term hedge derivatives	2,912	7,879	4,411
Total	**28,377**	**32,646**	**23,213**

As of December 31, 2008 other receivables include:

- due from tax Authority in relation to the payment of tax assessment notices for a total amount of Euro 7.7 millions from the Company, as a consequence of a provisional entry of taxes and interests connected to the tax assessment for the years 2001 and 2002, which is part of the dispute with tax authorities, arisen in prior years, set out in detail in the section;

16. Other current assets (Continued)

- advances to suppliers (Euro 449 thousands), receivables from credit card management companies for retail sales (Euro 721 thousands);
- the current portion of the receivable due from Ungaro (Euro 1 million), expiring on November 17, 2009 and the overdue portion (Euro 1 million), expired on November 17, 2008, as the balance consideration for the sale of the Ungaro fragrances brand occurred in 2005;
- receivables from lessees of the properties located in USA for Euro 0.8 million;
- receivables from joint ventures are due from Zefer S.p.A. and relate to the provision of consulting and technical support services;
- accrued income refers to rents and contributions from customers; prepaid expenses include rents for Euro 2.9 millions and insurance premiums for Euro 0.5 million.

Other receivables for hedge derivatives, amounting to Euro 2.9 millions relate to the fair value assessment of the outstanding hedging derivatives as at year end, entered into by the Company to manage the exchange rate risk on currencies other than Euro.

As of December 31, 2009 other receivables include:

- due from tax Authority in relation to the payment of tax assessment notices for a total amount of Euro 7.7 millions from the Company, as a consequence of a provisional entry of taxes and interests connected to the tax assessment for the years 2001 and 2002, which are being reimbursed by Equitalia Cerit SpA, (collection agency) following the relief measures issued on 28 January 2010, in connection with the settlement of the tax dispute, arisen in prior years;
- advances to suppliers (Euro 1.2 millions), receivables from credit card management companies for retail sales (Euro 2.3 millions);
- the residual part of the receivable due from Ungaro (Euro 1 million), expired on November 17, 2009 and collected in February 2010, as the balance consideration for the sale of the Ungaro fragrances brand occurred in 2005;
- receivables from lessees of the properties located in USA for Euro 0.6 million;
- receivables from joint ventures are due from Zefer S.p.A. and relate to the provision of consulting and technical support services;
- accrued income refers to rents and contributions from customers; prepaid expenses include rents for Euro 2.9 millions and insurance premiums for Euro 0.4 million.

Other receivables for hedge derivatives, amounting to Euro 7.9 millions relate to the fair value assessment of the outstanding hedging derivatives as at year end, entered into by the Company to manage the exchange rate risk on currencies other than Euro.

As of December 31, 2010 other current assets include:

- advances to suppliers (Euro 1.1 millions), receivables from credit card management companies for retail sales (Euro 2.8 millions);
- receivables from lessees of the properties located in USA for Euro 0.7 million;
- receivables from joint ventures are due from Zefer S.p.A. and relate to the provision of consulting and technical support services;
- accrued income refers to rents and contributions from customers; prepaid expenses include rents for Euro 4.0 million and insurance premiums for Euro 1.0 million.

16. Other current assets (Continued)

Other receivables for hedge derivatives, amounting to Euro 4.4 millions relate to the fair value assessment of the outstanding hedging derivatives as at year end, entered into by the Company to manage the exchange rate risk on currencies other than Euro.

17. Current financial assets

The following table sets forth the breakdown of the current financial assets as of December 31, 2008, 2009 and 2010:

	As of December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Hedging derivatives	3,294	1,147	1,181
Other current financial assets	203	177	19
Total	**3,497**	**1,324**	**1,200**

18. Cash and cash equivalents

The following table sets forth the breakdown of cash and cash equivalents as of December 31, 2008, 2009 and 2010:

	As of December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Time deposits	46,791	34,872	85,078
Current accounts	31,058	42,066	47,333
Checks	—	15	—
Cash and cash in hands	388	450	484
Total	**78,237**	**77,403**	**132,895**

Time deposits with banks expire in no more than 90 days. Current accounts represent temporary cash holdings, mainly aimed to meet current payments.

As of December 31, 2008, 2009 and 2010 the Group has not utilized credit lines for Euro 202 millions, Euro 229 millions and Euro 260 million, respectively.

For the purpose of the consolidated statement of cash flows the following table sets forth the breakdown of cash and cash equivalents as of December 31, 2008, 2009 and 2010:

	As of December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Call money	31,446	42,531	47,817
Short term deposits	46,791	34,872	85,078
Bank overdrafts	(1,179)	(404)	(426)
Total	**77,058**	**76,999**	**132,469**

19. Share capital and reserve

As of December 31, 2010 share capital amounts to Euro 16,841 thousands, fully paid and consisted of n. 16,841,000 shares of a nominal value of one Euro each, of which n. 8,757,320 ordinary shares and n. 8,083,680 privileged shares on the basis of the provisions of art. 4 of the by-laws with limited voting

19. Share capital and reserve (Continued)

rights pursuant to art. 2351, par. 2 of the Italian Civil Code. The ordinary shares, amounting to 52% of the share capital, are entirely held by Ferragamo Finanziaria S.p.A.

The changes in shareholders equity items, occurred in 2008, 2009 and 2010 are presented on in the related statements of changes in the shareholders' equity.

The retained earning reserves include the legal reserve for Italian companies within the Group, which as of December 2010 amounted to Euro 4.396 thousands, while the legal reserve for the Company amounted to Euro 4.188 thousand.

As per Italian law 5% of net profit for the year must to be allocated to legal reserve, up it reaches 20% of the share capital. This reserve is not distributable.

The following table sets forth the breakdown of the other reserves and retained earnings as of December 31, 2008, 2009 and 2010:

	Retained earning reserves	Translation differences reserve	Other reserves	Total
	(in thousands of Euro)			
As of December 31, 2008				
Paid in capital	—	—	2,995	2,995
Legal reserve	4,188	—	—	4,188
Extraordinary reserve	492	—	—	492
Cash flow hedge reserve	—	—	(10,976)	(10,976)
Translation difference reserve	—	(42,922)	—	(42,922)
Retained earnings	145,258	—	—	145,258
Other reserves	—	—	8,236	8,236
	149,938	**(42,922)**	**255**	**107,271**
As of December 31, 2009				
Paid in capital	—	—	2,995	2,995
Legal reserve	4,188	—	—	4,188
Extraordinary reserve	24,643	—	—	24,643
Cash flow hedge reserve	—	—	5,378	5,378
Translation difference reserve	—	(45,847)	—	(45,847)
Retained earnings	151,566	—	—	151,566
Other reserves	—	—	7,721	7,721
	180,397	**(45,847)**	**16,094**	**150,644**
As of December 31, 2010				
Paid in capital	—	—	2,995	2,995
Legal reserve	4,188	—	—	4,188
Extraordinary reserve	31,933	—	—	31,933
Cash flow hedge reserve	—	—	(2,266)	(2,266)
Translation difference reserve	—	(27,288)	—	(27,288)
Retained earnings	110,303	—	—	110,303
Other reserves	—	—	7,487	7,487
	146,424	**(27,288)**	**8,216**	**127,352**

Paid in capital refer entirely to the Company and were paid as one-off sum in 2003 from the holding company Ferragamo Finanziaria SpA and in 2007 were reduced by Euro 2,815 thousands due to the demerger occurred in 2007.

19. Share capital and reserve (Continued)

The extraordinary reserve refers entirely to the Company and was made up with retained earnings. As of December 31, 2010 the extraordinary reserve increased due to the residual profit of the financial year 2009, net of dividend distribution, for Euro 15,1 millions resolved in 2010 by the Company. As of December 2009 this reserve increased due to the full allocation of the prior year's net profit as any distribution of dividends was resolved by the Company, The increase recorded in the extraordinary reserve as of December 31, 2008 is due to residual profit of the financial year 2009, net of dividend distribution, for Euro 7,477 millions resolved by the Company.

The cash flow hedge reserve is recorded against exchange rate hedge transactions carried out by the Company, with regard to exports in currencies other than Euro.

The translation reserve reflects changes in the value of the shareholders' equity in consolidated companies for the quota of the Group's investment, as a consequence of changes in the exchange rates of the companies functional currencies compared to the presentation currency.

The change is mainly due to the fluctuation of the exchange rate of the US dollar, then the yen and, finally, other currencies.

Retained earnings include the capitalization of the profits realized in the years, taking into due account the consolidation adjustments, in particular unrealized profit on inventories. In 2010 retained earnings decreased by Euro 41.3 millions due to the recapitalization of the loss for the year 2009 amounted to Euro −43.3 millions, gross of the Company's result for the year allocated to extraordinary reserve. Additionally this change has been impacted by the changes related to the acquisition of non-controlling interests in fully consolidated companies and the accounting for the effects of the put and call agreements attributable to non-controlling shareholders.

The item Other reserves refer to the valuation differences arisen in application of IAS compared to local standards adopted by each Group's company.

20. Provision for risks and charges

The tables below set forth the changes and the breakdown of provision for risks and charges as of and for the year ended December 31, 2008, 2009 and 2010:

	For the year ended December 31, 2008					
	Book value as of 01.01.2008	Translation difference	Additions	Releases	Reclassification	Book value as of 31.12.2008
	(in thousands of Euro)					
Litigations	3,700	—	10,599	(490)	(261)	13,548
Legal charges	6,294	—	—	(502)	—	5,792
Others	1,597	4	1,930	(225)	339	3,645
Total	**11,591**	**4**	**12,529**	**(1,217)**	**78**	**22,985**

	For the year ended December 31, 2009				
	Book value as of 01.01.2009	Translation difference	Additions	Releases	Book value as of 31.12.2009
	(in thousands of Euro)				
Litigations	13,548	—	1,245	(11,917)	2,876
Legal charges	5,792	—	—	(5,792)	—
Others	3,645	—	217	(2,826)	1,036
Total	**22,985**	**—**	**1,462**	**(20,535)**	**3,912**

20. Provision for risks and charges (Continued)

	For the year ended December 31, 2010				
	Book value as of 01.01.2010	Translation difference	Additions	Releases	Book value as of 31.12.2010
	(n thousands of Euro)				
Litigations	2,876	—	2,081	(1,690)	3,267
Legal charges	—	—	500	—	500
Others	1,036	36	467	(254)	1,285
Total	**3,912**	**36**	**3,048**	**(1,944)**	**5,052**

Litigations mainly include legal proceedings against the Company and some of the foreigner subsidiaries and labor disputes. Labor disputes refer to both litigations and estimates of settlement which the Group's companies may pay for settlement at the pre-litigation stage.

In 2008, 2009 and 2010 the release of provision for litigations is mainly related to the positive settlement of some legal and labour disputes occurred in the period. In 2009 the release of the provision was due also to the conclusion of the dispute with the Italian tax authorities by Ferragamo International BV and, to a lesser extent, by the Company.

The provision for other risks includes accruals made against probable future costs of miscellaneous nature and to cover any charges for goods returned by our wholesale customers for collections delivered during the period. Additionally this item includes the additional allowance set aside by Ferragamo Parfums SpA and Salvatore Ferragamo Italia SpA for commercial agents operating in Italy.

21. Employee termination indemnities

The following table sets forth the breakdown of the employee termination indemnities as of December 31, 2008, 2009 and 2010:

	As of December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Employee s termination indemnities (TFR)	7,790	7,236	7,285
Employee s termination indemnities (others)	1,909	1,942	2,055
Total	**9,699**	**9,178**	**9,340**

Employee termination indemnities—Trattamento di fine rapporto

The Employee termination indemnities (so called *Trattamento di Fine Rapporto* or TFR) relate exclusively to the employees of the two Italian companies within the Group (the Company and Ferragamo Parfums).

21. Employee termination indemnities (Continued)

The tables below set forth the changes in the employee termination indemnities for the years ended December 31, 2008, 2009 and 2010:

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Present value of the obligation at the beginning of the period	8,098	7,790	7,236
Cost relating to current employment	102	102	93
Financial charges	317	330	279
Benefits paid	(1,579)	(667)	(517)
Actuarial loss (gain) recorded	852	(319)	194
Present value of the obligation at the end of the period	**7,790**	**7,236**	**7,285**

Following the adoption of IFRS, employee severance indemnities are considered a defined-benefit obligation to be accounted for in accordance with IAS 19 and, consequently, the related liability is valued on the basis of actuarial techniques. As reported in the notes related to the main accounting principles, in 2007 Italian companies were affected by a legislative change, on the basis of which the provisions of IAS 19 regarding the treatment of employee liabilities for defined benefits are applied solely to those benefits which accrued up to 31 December 2006 for companies with more than 50 employees (the Company), while the full application of IAS 19 continues for the assessment of employee severance indemnities of the Italian companies with less than 50 employees (Ferragamo Parfums SpA).

The main assumptions to determine the present value of employee severance indemnities were as follows:

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Annual rate of salary increase	4.72%	4.50%	4.17%
Annual discount	3.92%	4.22%	3.86%
Inflation rate	2.00%	2.00%	2.00%

Within the Group the non-Italian companies that have adopted defined-benefit plans for their employees are Ferragamo Japan KK, Ferragamo Retail Taiwan Ltd., Ferragamo France SAS, Ferragamo Montecarlo SAM, Ferragamo Mexico S.L.de C.V., Ferragamo Korea Ltd and Nelia Retail Private Ltd.

The value of the obligation at the end of the period for these companies was as follows:

	As of December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Present value of the obligation at the end of the period	**1,600**	**1,587**	**1,519**

The main assumptions to determine the present value of employee severance indemnities were as follows:

	For the year ended December 31,		
	2008	2009	2010
Annual rate of salary increase	2.50%–9.00%	2.00%–12.00%	2.00%–7.50%
Annual discount	2.00%–8.16%	0.91%–8.16%	0.90%–8.00%
Inflation rate	0%–2.00%	(*)	1.5%–3.5%

(*) For the year ended December 31, 2009 the annual discount rate included the inflation rate.

21. Employee termination indemnities (Continued)

Employees

The table below sets forth the average number of employees by category for the year ended December 31, 2008, 2009 and 2010:

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Executives, junior managers and store managers	392	453	475
White collars	2,138	2,084	2,053
Blue collars	182	206	217
Total	**2,712**	**2,743**	**2,745**

The increases over the period 2008–2010 are mainly due to the staff required by the expansion of the retail network.

22. Other non-current liabilities

The tables below set forth the changes and the breakdown of other non-current liabilities as of and for the years ended December 31, 2008, 2009 and 2010:

	For the year ended December 31, 2008				
	Book value as of Jan. 1, 2008	Translation Difference	Increases	Decreases	Book value as of Dec. 31, 2008
	(in thousands of Euro)				
Payables for deferred rents	20,953	1,406	3,866	—	26,255
Other payables	679	7	63	(130)	619
Other payables for hedge derivatives	—	—	4	—	4
Total	**21,632**	**1,413**	**3,933**	**(130)**	**26,848**

	For the year ended December 31, 2009				
	Book value as of Jan. 1, 2009	Translation Difference	Increases	Decreases	Book value as of Dec. 31, 2009
	(in thousands of Euro)				
Payables for deferred rents	26,225	(954)	2,897	—	28,168
Other payables	619	(2)	68	(95)	590
Tax payables	—	—	12,678	—	12,678
Other payables for hedge derivatives	4	—	9	—	13
Total	**26,848**	**(956)**	**15,652**	**(95)**	**41,449**

22. Other non-current liabilities (Continued)

	For the year ended December 31, 2010					
	Book value as of Jan 1, 2010	Translation Difference	Increases	Decreases	Reclassi-fication	Book value as of Dec. 31, 2010
			(in thousands of Euro)			
Payables for deferred rents	28,168	2,294	2,398	(9)	—	32,851
Other payables	590	17	72	(92)	—	587
Tax payables	12,678	—	—	—	(12,678)	—
Other payables for hedge derivatives	13	—	85	—	—	98
Total	**41,449**	**2,311**	**2,555**	**(101)**	**(12,678)**	**33,536**

Payables for deferred rents refer almost entirely to the straight lining of rents over the contract period for the property leased in the United States, including the building on Fifth Avenue, next to the building owned by the Group, where a significant part of the New York store is located. At the end of the year 2010 the tax payables has been reclassified from non-current liabilities to current liabilities as a consequence of the agreement reached with the tax Authority in connection with a tax payables, originally divided into installments, of which the residual part has been fully paid on February 15, 2011 to create the necessary conditions to obtain the reimbursement of the income tax paid in the Netherlands.

23. Non-current financial liabilities

As of December 31, 2008 the Group recorded non-current financial liabilities for Euro 239 thousands related to the evaluation of hedge derivatives, i.e. forward contracts, due after more than 12 months, for the management of exchange rate risk. As of December 31, 2009 the Group did not record any non-current financial liabilities. As of December 31, 2010 the Group recorded non-current financial liabilities for Euro 83 thousand.

For further details, please refer to note 50 Financial risks management.

24. Trade payables

The following table sets forth the breakdown of the trade payables as of December 31, 2008, 2009 and 2010:

	As of December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Trade payables	93,864	76,751	102,667
Advances from customers	322	333	887
Trade payables to related parties	192	176	53
Total	**94,378**	**77,260**	**103,607**

Trade payables do not bear interest and are usually due in 60/90 days. This item includes payables relating to the operating commercial activity carried out by the Group companies, in particular the purchase of raw materials, parts and manufacturing in outsourcing.

25. Loans and borrowings

The following table sets forth the breakdown of the loans and borrowings as of December 31, 2008, 2009 and 2010:

	As of December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Due to banks	162,398	154,395	145,803
Current accounts	1,179	404	426
Other financial debts	1,650	3,350	4,567
Total	**165,227**	**158,149**	**150,796**

As of December 31, 2008 financial debts include loan from third party to Ferragamo Suisse SA (Euro 0.5 million) and to the Indian company Nelia Retail Private Ltd (now Ferragamo Retail India Private Limited) (Euro 1.1 million).

As of December 31, 2009, this item includes loans from third party shareholders to Ferragamo Suisse SA for Euro 991 thousands; loan from third party shareholders to the Indian company Ferragamo Retail India Private Ltd for Euro 1,236 thousands; loan from third party shareholders to the company Ferragamo Retail Macau Ltd, established in 2009, for Euro 1,118 thousands and financing lease to the Chinese company Ferragamo Fashion Trading (Shanghai) Co.Ltd. for Euro 5 thousands.

As described in more detail in the financial risks management section, due to banks consist of:

(i) the withdraw of a revolving credit line with an original duration of 5 years and residual life, as of December 31, 2010, of one year;

(ii) short and medium term committed credit lines; and

(iii) uncommitted local credit lines.

The interest rates applied are equivalent to the interbank reference rate increased by a spread depending on the type of credit line. Commission fees related to the unutilized lines do not have significant impact. During 2010 committed credit lines which had expired were renegotiated, increasing their amounts and expanding the range of counterparties, in addition new credit lines reversible on demand were opened.

As of December 31, 2010 other financial debts include:

- the loan from third party shareholders to the entity Retail Macau Ltd. for Euro 901 thousands;
- the put option granted to non-controlling interests of Ferragamo Japan K.K. for Euro 3,050 thousands, to sell to the Company their own 29% investment in Ferragamo Japan K.K. stated on the basis of the conditions set out in the Shareholders' Agreement signed by the parties. This put option has been recognized in the shareholders' equity following the derecognition of the non-controlling equity. Additionally this item includes liabilities to non-controlling interests of Ferragamo Retail India for Euro 616 thousands. In the next fiscal years adjustments in the value of the put option will be directly recognized as equity.

26. Tax payables

The following table sets forth the breakdown of the tax payables as of December 31, 2008, 2009 and 2010:

	As of December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Total	**9,176**	**16,759**	**27,210**

26. Tax payables (Continued)

The amounts relate to payables for income taxes for the year and other taxes due by Group companies. As of December 31, 2009 and 2010 the item includes the reclassification of the residual portion of the tax payable, originally due over 12 months (Euro 7.3 millions as of December 31, 2009 and Euro 12.7 million as of December 31, 2010) which is to be paid in installments by the Dutch company Ferragamo International B.V., connected to the settlement of the tax dispute with the Italian tax authorities.

27. Other current payables

The following table sets forth the breakdown of the other current liabilities as of December 31, 2008, 2009 and 2010:

	As of December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Other current payables	22,674	15,259	23,856
Payables to social security institutions	3,743	3,367	3,726
Payables to associates and joint ventures	—	3	—
Payables to related parties	1,435	924	10,832
Accrued expenses	1,491	2,058	2,519
Deferred income	3	1,075	1,818
Other payables for short term hedge derivatives	19,506	1,031	6,220
Total	**48,852**	**23,717**	**48,971**

The item Other current payables mainly includes the payables to Group's employees for amounts accrued but not yet paid as at the date of the financial statements; it also includes payables to suppliers/service providers which were not yet invoiced as at the date of the financial statements.

The item Payables to social security institutions refers to payables to social security institutions paid in the month following the year end and relating to amounts due to employees.

Payables to related parties consist of payables to Ferragamo Finanziaria SpA under the tax consolidation regime.

The item Other payables for short term hedge derivatives represents the fair value valuation as at the end of the year of the outstanding hedge derivative contracts entered into by the Company to manage exchange rate risk.

28. Other current financial liabilities

This item mainly refers to the fair value of the derivatives with a negative mark to market at the end of the year.

For further details see note 30 below.

29. Financial instruments

The classification of financial instruments under IAS 39 involves various financial statement items. The following table sets forth the book value of outstanding financial instruments, divided by category, compared to the corresponding fair values, as of December 31, 2008, 2009 and 2010.

	Book value as of Dec. 31, 2008			Book value as of Dec. 31, 2009			Book value as of Dec. 31, 2010		
	Current portion	Non-current portion	Fair Value Dec. 31, 2008	Current portion	Non-current portion	Fair Value Dec. 31, 2009	Current portion	Non-current portion	Fair Value Dec. 31, 2010
	(in thousands of Euro)								
FINANCIAL ASSETS									
Financial assets at fair value through profit or loss									
Derivatives i—no hedge component	3,294		3,294	1,147		1,147	1,181	2	1,183
Securities held for trading	20		20	17		17	19		19
Financial assets available for sale		47	47	—	45	45		51	51
Loans and receivables									
Medium/Long term receivables from others	2,000	1,500	3,395	1,400	1,100	2,430	250	1,250	1,389
Trade receivables	66,163		66,163	57,347		57,347	75,377		75,377
Guarantee deposits		5,348	5,082		5,721	5,594		6,769	6,767
Cash and cash equivalents	78,237		78,237	77,403		77,403	132,895		132,895
Derivatives—hedge component	4,430		4,430	7,879		7,879	4,411	155	4,566
Total	**154,144**	**6,895**	**160,668**	**145,193**	**6,866**	**151,862**	**214,133**	**8,227**	**222,247**

	Book value as of Dec. 31, 2008			Book value as of Dec. 31, 2009			Book value as of Dec. 31, 2010		
	Current portion	Non-current portion	Fair Value Dec. 31, 2008	Current portion	Non-current portion	Fair Value Dec. 31, 2009	Current portion	Non-current portion	Fair Value Dec. 31, 2010
	(in thousands of Euro)								
FINANCIAL LIABILITIES									
Liabilities at amortized cost									
Trade payables and advances	94,378		94,378	77,260	—	77,260	103,607	—	103,607
Due to banks and other borrowings	165,227		165,227	158,149	—	158,149	150,796	—	150,796
Financial liabilities at fair value through profit or loss									
Derivatives—non hedge component	552		552	573	—	573	1,367	83	1,450
Derivatives—hedge component	19,510		19,510	1,044	—	1,044	6,220	98	6,318
Total	**279,667**		**279,667**	**237,026**	**—**	**237,026**	**261,990**	**181**	**262,171**

As represented in the tables, most outstanding financial assets and liabilities are represented by short-term financial items; and for most of these items, in consideration of their nature, the book value is considered a reasonable approximation of their fair value.

In all other cases, fair value is measured according to methodologies which can be classified as Level 2 of the hierarchy of data significance levels used in the fair value calculation as defined by IFRS 7.

The Group uses internal valuation models based on prices provided by main financial operators or by active markets, generally recognized by the financial market practice.

To determine the fair value of derivatives a pricing model, based on market interest rate values and exchange rates at the valuation date, is used.

29. Financial instruments (Continued)

For medium/long term receivables from others, which include a receivable from Ungaro with a six-year remaining life, renegotiated during the year 2010, and for the item Guarantee Deposits, the fair value is calculated by discounting the nominal value at market IRS rates listed for individual annual maturities in accordance with the discounted cash flow method.

Receivables and payables due within 18 months and those without a defined due date or on demand are valued at historical cost.

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 stated at fair value.

The table below summarizes the effects in the statement of income and in the shareholders' equity of each category of financial instruments of the Group for the year ended December 31, 2008, 2009 and 2010.

Gains and losses on financial instruments

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Net gains/(net losses) on financial instruments recognized in statement of income:			
Financial assets/(liabilities) held for trading	2,328	1,772	(933)
Hedge derivatives	12,282	(17,286)	(11,541)
Net gains/(net losses) on financial instruments recognized in shareholders equity:			
Hedge derivatives	(26,015)	22,558	(10,544)
Interest income/expense (calculated using the effective interest method) accrued on financial assets/liabilities not at FVTPL			
Interest income	1,850	507	437
Interest expenses	6,090	2,870	3,072
Expenses and fees not included in determining the effective interest rate			
Related to financial liabilities	232	259	395
Interest income accrued on financial instruments written-down			
Provisions for impairment on financial assets			
Loans/receivables	735	902	681

30. Derivatives

Total derivatives as of December 31, 2008, 2009 and 2010 were as follows:

Derivatives with positive fair value:

	As of December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Derivatives long term	—	—	2
Derivatives short term	3,294	1,147	1,181
Total	**3,294**	**1,147**	**1,183**

30. Derivatives

Derivatives with negative fair value:

	December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Derivatives long term	239	—	83
Derivatives short term	313	573	1,367
Total	**552**	**573**	**1,450**

Derivatives originate exclusively from the management of exchange rate risk on transactions in foreign currency undertaken by Group companies. For further details please refer to the section Financial risks management.

NOTES TO THE STATEMENT OF INCOME

31. Revenue from sales and services

For the year ended December 31, 2008, 2009 and 2010 revenue from sales and services amounted to Euro 683,886 thousands, Euro 612,012 thousands and Euro 773,486 thousands. The table below sets forth the breakdown of the revenue from sales and services for the years 2008, 2009 and 2010:

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Revenue from wholesale sales	435,744	185,000	223,640
Revenue from retail sales	236,967	420,449	542,967
Revenue from associates	—	19	29
Royalties	5,444	3,632	3,384
Fees and services for third parties	3,852	1,622	1,923
Fees and services for associates and joint ventures	1,764	1,267	1,459
Fees and services for related parties	115	23	84
Total	**683,886**	**612,012**	**773,486**

Royalties are mainly related to the license contract with Luxottica for the production anddistribution of glasses and to the contract with Timex for the production and distribution of watches (Ferragamo brand).

Fees and services for associates and joint ventures are entirely related to technical consultancy for Zefer SpA.

32. Rental of investment properties

In 2008, 2009 and 2010 income from rental of investment properties amounted to Euro 6,944 thousand, Euro 7,586 thousands and Euro 8,115 thousands and were wholly related to Ferragamo USA for the lease of space in owned and leased property. The changes were due almost exclusively to the Euro/US Dollar exchange rate effect.

33. Cost of sales

The table below sets forth the analysis of the cost of sales for the year 2008, 2009 and 2010:

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Change in finished products, semi finished products and work in progress	31,992	(20,240)	(5,663)
Raw materials, accessories and consumable goods used	(172,760)	(133,669)	(159,014)
Cost for services	(125,744)	(97,167)	(119,194)
Personnel costs	(4,858)	(4,441)	(4,938)
Depreciation and amortization	(508)	(549)	(552)
Total	**(271,878)**	**(256,066)**	**(289,361)**

In 2009 the decrease in cost of sales as percentage of total sales (−5.8%) was lower than the decrease in Group's revenue, as a consequence of the reduction in sales margins, due in part to the higher level of sales realized in outlet stores, in particular in those located in the United States and Japan. In 2010 the cost of sales increased (+13%) less than the Group's revenue therefore its incidence on the total sales decreased from 41.8% to 37.4%.

Purchases mainly include the materials for production and all finished products related to the fragrances business and some limited categories in the core business.

The production cycle of the more traditional business generally entails the purchase of raw materials and accessories which are subsequently sent to third parties on account for manufacturing; the related costs are shown in the specific item cost for services.

For the fragrance business the Group buys the necessary for the production and resells it to an external specialist for the treatment and packaging of the finished product, which is then purchased for distribution.The item sales of raw materials mainly refers to the production cycle of the fragrance business.

34. Other operating income

The table below sets forth the breakdown of the other operating income for the year 2008, 2009 and 2010:

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Cost recovery	1,365	761	703
Rental of instrumental properties	1,266	1,725	1,919
Advertising contributions	754	370	581
Others	3,328	15,003	4,438
Other operating income—related parties	98	42	20
Gain on disposal of Ungaro brand for the fragrances segment	95	63	43
Other gains on disposal—related parties	2,188	—	—
Non recurring income	610	1,700	1,245
Total	**9,704**	**19,664**	**8,949**

Cost recovery refers to costs charged back to third party wholesale customers. Income from rental of instrumental properties mainly relate to parts of properties leased for stores, which are sublet to third parties for the part in excess to the needs. Advertising contributions are paid to the Group by wholesale customers.

34. Other operating income (Continued)

The item Others is positively influenced by the release of provisions for risks and charges (Euro 0.8 million for the year 2008, Euro 10.5 million for the year 2009 and Euro 1.7 million for the year 2010) in connection with the settlement of some legal disputes resolved positively during the year.

For the analysis of transactions with related parties please refer to the paragraph Transactions with related parties.

35. Style, product development and logistics costs

The following table sets forth the breakdown of the style, product development and logistic costs for the year ended December 31, 2008, 2009 and 2010:

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Purchases	(2,341)	(1,691)	(2,709)
Services	(14,491)	(11,471)	(12,866)
Personnel	(12,713)	(11,030)	(11,537)
Depreciation and amortization	(644)	(634)	(578)
Total	**(30,189)**	**(24,826)**	**(27,690)**

The item includes the costs of the creative departments. It also includes transport costs for the supply of products to customers, third parties and Group commercial associates.

36. Selling and distribution costs

The following table sets forth the breakdown of the selling and distribution costs by nature for the year ended December 31, 2008, 2009 and 2010:

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Purchases	(5,921)	(4,858)	(4,930)
Services	(124,806)	(127,214)	(155,150)
Personnel	(74,912)	(70,233)	(83,144)
Depreciation and amortization	(15,709)	(18,529)	(19,319)
Total	**(221,348)**	**(220,834)**	**(262,543)**

The item refers to the costs of the direct retail network, of retail and wholesale sales departments of the head office and of the affiliated companies. It also includes the logistics costs for distribution on foreign markets where the Group has a direct presence.

The following table sets forth the breakdown of the selling and distribution costs by channel for the year ended December 31, 2008, 2009 and 2010:

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Retail	(189,239)	(196,710)	(232,495)
Wholesale	(26,738)	(19,131)	(24,746)
Logistic distribution	(5,371)	(4,993)	(5,302)
Total	**(221,348)**	**(220,834)**	**(262,543)**

37. Communication and marketing costs

The following table sets forth the breakdown of the communication and marketing costs for the year ended December 31, 2008, 2009 and 2010:

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Purchases	(3,282)	(3,072)	(3,729)
Services	(38,353)	(21,921)	(33,648)
Personnel	(6,011)	(6,448)	(6,654)
Depreciation and amortization	(50)	(61)	(64)
Other operating costs	—	—	—
Total	**(47,696)**	**(31,502)**	**(44,095)**

The item communication and marketing costs refer costs for communication and marketing activities. Communication costs include expenses for advertising creation and media, public relations and events (i.e. fashion shows, openings of stores, presentation and launch of products).

38. General and administrative expenses

The following table sets forth the breakdown of the general and administrative expenses for the year ended December 31, 2008, 2009 and 2010:

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Purchases	(753)	(609)	(965)
Services	(28,656)	(29,494)	(32,500)
Personnel	(21,305)	(20,230)	(26,992)
Depreciation and amortization	(5,252)	(5,435)	(6,190)
Impairment of property, plant and equipment, intangibile assets and goodwill	—	(229)	—
Other operating costs	—	—	—
Total	**(55,966)**	**(55,997)**	**(66,647)**

General and administrative expenses include costs of personnel for general management, information systems, administrative and human resources activities. The item also includes costs relating to the real estate activity in USA.

39. Other operating expenses

The following table sets forth the breakdown of the other operating expenses for the year ended December 31, 2008, 2009 and 2010:

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Losses on disposals of property, plant and equipment and intangible assets	(214)	(568)	(718)
Losses on disposals of fixed assets of property, plant and equipment and intangible assets—related parties	(8)	—	—
Non recurring charges	(130)	(1,736)	(247)
Provision for risks and charges	(2,504)	(1,418)	(2,980)
Write down of current assets	(906)	(3,455)	(1,651)
Entertainement expenses, gifts and donations	(904)	(600)	(1,776)
Indirect taxes, duties and dues	(3,683)	(4,003)	(5,325)
Other operating costs	(1,317)	(1,781)	(1,080)
Total	**(9,666)**	**(13,561)**	**(13,777)**

Losses on disposal of property, plant and equipments and intangible assets are mainly due to the restructuring or closure of some stores.

For further details in relation to the item Provisions for risks and charges refer to Note 20 above.

The write-down of current assets reflects allowance to the provision for bad debt and losses on receivables. In 2009 the item included a charge of Euro 2.3 million relating to the bankruptcy of the fragrances distributor for the Japanese market.

Other operating costs mainly include non-deductible taxes and entertainment expenses.

40. Costs by nature

The following table sets forth the breakdown by nature of the operating expenses for the year ended December 31, 2008, 2009 and 2010:

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Raw materials, finished products and consumable goods used	(153,065)	(164,139)	(177,010)
Services costs	(332,050)	(287,267)	(353,358)
Personnel costs	(119,799)	(112,382)	(133,265)
Depreciation and amortization	(22,163)	(25,208)	(26,703)
Impairment of property, plant and equipment and intangible assets	—	(229)	—
Other expenses	(9,666)	(13,561)	(13,777)
Operating expenses	**(636,743)**	**(602,786)**	**(704,113)**

41. Research and development costs

As part of its creative and production activities, the Group incurred costs for research and development for new products and new materials, which have been fully charged to the statement of income.

In 2008, 2009 and 2010 these costs amounted to Euro 18.6 millions, Euro 16.5 millions and Euro 16.8 million, respectively.

42. Financial expenses

The following table sets forth the breakdown of the financial expenses for the year ended December 31, 2008, 2009 and 2010:

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Interest expenses—loans from third parties	(5,937)	(2,669)	(2,337)
Discount charges and other financial charges—third parties	(1,222)	(1,293)	(1,905)
Impairment of investments in other companies	(24)	—	—
Provisions for risks on investments in other companies	(25)	—	—
Losses on exchange rate	(14,296)	(12,204)	(7,323)
Losses on fair value adjustments on derivatives	(4,869)	(1,902)	(2,358)
Total	**(26,373)**	**(18,068)**	**(13,923)**

Interest expenses relate entirely to short term loans from banks.

The item discount charges and other financial charges are mainly related to bank fees and to financial expenses on employee benefits in relation to the valuation of defined benefit plans as per IAS 19; additionally it includes residual charges related to the discounted value of the receivables related to the medium-term advance of royalties due from the Fragrances business in reference to the Ungaro brand, paid in 2005 (Euro 1.5 million in 2008, Euro 1 million for 2009 and Euro 1.25 millions for 2010).

Gains and losses on exchange rate differences were recorded mainly by the Company, in connection with the foreign sales, to companies within the Group and to third parties. In 2008 the net gains from exchange differences amounted to Euro 2.6 million compared to a net loss of Euro 0.4 millions recorded in 2009 and to a net gain of Euro 7.1 million recorded in 2010.

43. Financial income

The following table sets forth the breakdown of the financial income for the year ended December 31, 2008, 2009 and 2010:

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Interest income	1,690	451	382
Other financial income	160	56	55
Gain on exchange difference	16,921	11,778	14,462
Gains on fair value adjustments on derivatives	7,197	3,674	1,425
Total	**25,968**	**15,959**	**16,324**

44. Share of profit of associates

The item includes only the investment in the join venture Zefer S.p.A. purchased in 2006 and accounted for using the equity method.

45. Income taxes

The following table sets forth the income taxes for the year ended December 31, 2008, 2009 and 2010:

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Current taxes	(20,170)	(17,525)	(30,991)
Deferred taxes	4,827	11,195	2,477
Income taxes prior years	(10,000)	(43,134)	—
Income taxes	**(25,343)**	**(49,464)**	**(28,514)**

The amount charged to the item income taxes prior years relates entirely to the settlement of the tax dispute with the Italian tax authorities, that involved the subsidiary FIBV, the Company and the Florence Tax Office.

Deferred tax assets and liabilities

The following table sets forth the breakdown of deferred tax assets and liabilities as of December 31, 2008, 2009 and 2010:

	As of December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Deferred tax assets	50,955	55,067	61,715
Deferred tax payables	6,340	6,359	5,863
Deferred tax assets	**44,615**	**48,708**	**55,852**

The deferred taxes reflect the net tax impact of temporary differences between the book values of assets and liabilities and their tax values which result in taxable or tax deductible amounts arising in future periods.

The accounting treatment of deferred tax assets reflects the adjustments to take into account the has been properly adjusted to reflect the expected use of the deferred tax assets.

45. Income taxes (Continued)

The following table sets forth the breakdown by nature of the deferred tax assets as of December 31, 2008, 2009 and 2010:

	As of December 31,						For the year ended December 31,		
	Financial position			Shareholders' equity			Statement of income		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
	(in thousands of Euro)								
Deferred tax assets									
—on employees' benefits	827	657	959	438	351	404	94	(64)	177
—on property, plant and equipments	8,838	8,389	11,107				(2,356)	(243)	2,150
—on intangible assets	491	608	729				126	118	121
—on cash flow hedge reserve/ derivatives under IAS 39	4,104	1,239	800	4,163	(2,041)	859	(128)	—	(1)
—on deferred revenues under IAS 18	120	101	163				(19)	(19)	61
—on inventories evaluation	5,616	4,982	4,666				1,404	(561)	(517)
—on unrealized profits in the inventories	21,995	24,524	26,467				7,134	2,530	1,943
—on fiscal losses	226	5,280	4,164				(677)	5,204	(1,574)
—on taxable provisions	1,662	1,030	2,275				668	(633)	1,245
—on impairment of investments	12	11	14				10	—	—
—on other temporary differences	7,064	8,246	10,371				233	1,482	1,631
Total deferred tax assets	**50,955**	**55,067**	**61,715**	**4,601**	**(1,690)**	**1,263**	**6,489**	**7,814**	**5,236**
Deferred tax liabilities									
—on employees' benefits	310	273	262				(57)	(37)	(11)
—on property, plant and equipments	1,194	1,341	1,459				(69)	98	40
—on leased assets	367	360	353				57	(7)	(7)
—on intangible assets	294	—	—				(9)	(295)	—
—on cash flow hedge reserve/ derivatives under IAS 39	1,439	2,100	559				1,439	(2,678)	1,797
—on inventories evaluation	2,466	2,275	2,078				(5)	(192)	(199)
—on other temporary differences	270	10	1,152				306	(270)	1,139
Total deferred tax liabilities	**6,340**	**6,359**	**5,863**				**1,662**	**(3,381)**	**2,759**
Income/Charge on deferred taxes							4,827	11,195	2,477
Net impact on the shareholders' equity				**4,601**	**(1,690)**	**1,263**			
Presented in the financial statements as follows:									
Deferred tax assets	50,955	55,067	61,715						
Deferred tax liabilities	6,340	6,359	5,863						
Deferred tax assets net of deferred tax liabilities	**44,615**	**48,708**	**55,852**						

45. Income taxes (Continued)

The tables below set forth the fiscal losses related to the Group's subsidiaries, as of December 31, 2008, 2009 and 2010, on which deferred taxes have not been calculated and their expiration date:

(in thousands of Euro)

		Without time limits	Expiration date: Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
As of December 31, 2008	**59,201**	44,461	240	147	813	13,540

		Without time limits	Expiration date: Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
As of December 31, 2009	**69,542**	49,170	0	1,651	1,543	17,178

		Without time limits	Expiration date: Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
As of December 31, 2010	**70,145**	47,488	435	1,255	2,540	18,427

The table below sets forth the deferred tax assets on losses carried forward for the year ended December 31, 2008, 2009 and 2010:

	As of December 31, 2008		
Expiration date	**Losses carried forward**	**Tax rate**	**Deferred tax assets**
	(in thousands of Euro)		
Without time limits	245	27.50%	67
2012	123	35.00%	43
2017	340	33.99%	116
Total	**708**	**31.92%**	**226**

	As of December 31, 2009		
Expiration date	**Losses carried forward**	**Tax rate**	**Deferred tax assets**
	(in thousands of Euro)		
Without time limits	719	27.50%	198
Over 5 years	12.955	39.23%	5.082
Total	**13,674**	**38.61%**	**5,280**

	As of December 31, 2010		
Expiration date	**Losses carried forward**	**Tax rate**	**Deferred tax assets**
	(in thousands of Euro)		
Without time limits	719	27.50%	198
Over 5 years	9,597	41.33%	3,966
Total	**10,316**	**40.36%**	**4,164**

45. Income taxes (Continued)

The following table sets forth the reconciliation between the effective tax expense and the statutory tax expense for the years ended December 31, 2008, 2009 and 2010:

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Income before income taxes	64,226	34,803	89,315
IRES—statutory tax rate for the year	*27.50%*	*27.50%*	*27.50%*
Statutory income taxes	**17,662**	**9,571**	**24,562**
IRAP effect	3,070	2,536	3,502
Non deductible costs	347	(1,095)	38
Different tax rates applying to foreign subsidiaries	(5,377)	(3,368)	(4,196)
Other effects	(359)	(1,314)	295
Tax effects on current income relating to Controlled Foreign Companies			4,313
Prior years income taxes	10,000	43,134	
Total differences	**7,681**	**39,893**	**3,952**
Total income taxes as per statement of income	**25,343**	**49,464**	**28,514**
Effective tax rate	***39.5%***	***142.1%***	***31.9%***

OTHER INFORMATION

46. Earnings per share

As per IAS 33 the table below sets forth the data for the calculation of the basic and diluted earnings per share, i.e. the net profit/(loss) for the year and the weighted average number of issued shares.

The earning per share is calculated as ratio between the net result for the year (net profit/(loss) attributable to the owners of the Company) and the weighted average number of issued shares in the year.

46. Earnings per share (Continued)

For the purpose of the earnings per share calculation the net profit/(loss) for the year attributable to the owners of the Company as numerator.

	For the year ended December 31,		
EARNING PER SHARE, BASIC	2008	2009	2010
Net profit (loss) for the year attributable to the owners of the Company	29,787,000	(20,907,000)	48,877,000
Less: increase of dividend per privileged share (5% of face value)	(404,184)	—	(404,184)
	29,382,816	(20,907,000)	48,472,816
Average number of ordinary and privileged shares	**168,410,000**	**168,410,000**	**168,410,000**
Earning per share basic—ordinary shares	**0.174**	**(0.124)**	**0.288**
Plus: increase of dividends for privileged shares	0.005	0.000	0.005
Earning per share basic—privileged shares	**0.179**	**(0.124)**	**0.293**
EARNING PER SHARE, DILUTED			
Average number of ordinary and privileged shares	**168,410,000**	**168,410,000**	**168,410,000**
Plus: stock options	587,870	—	—
Average number of ordinary and privileged shares, diluted	**168,997,870**	**168,410,000**	**168,410,000**
Earning per share diluted—ordinary shares	**0.174**	**(0.124)**	**0.288**
Plus: increase of dividends for privileged shares	0.005	0.000	0.005
Earning per share diluted—privileged shares	**0.179**	**(0.124)**	**0.293**
Average number of ordinary shares	87,573,200	87,573,200	87,573,200
Average number of privileged shares	80,836,800	80,836,800	80,836,800
	168,410,000	**168,410,000**	**168,410,000**

On March 30, 2011, our shareholders' meeting resolved to split the nominal amount of our shares from Euro 1 to Euro 0.10. The split was taken into account retroactively for the purpose of determining the earning per share for all periods presented.

47. Share based payments

As per IFRS 2, the share based payment plan in favour of one director and included in the consolidated financial statements and related to the Company is described as follow.

On December 14, 2006, the shareholders' meeting of the Company passed a resolution to grant a *stock option* in favour of the director and managing director Michele Norsa for the purchase of the Company's ordinary shares or, should the company in the next 3 years resolve to increase the share capital servicing the stock option, the subscription of new ordinary shares to be issued in execution of the capital increase.

In particular, the shareholders' meeting of December 14, 2006 resolved to assign the right to buy n. 236,000 ordinary shares of the Company.

This plan was divided in 3 tranches, offered for subscription from December 15 to January 15, over the three years period 2009–2012 as specified below:

- 1° *tranche*: *vesting* from December 14, 2006 to December 15, 2009, execution period from December 15, 2009 to January 15, 2010;
- 2° *tranche*: *vesting* from December 14, 2006 to December 15, 2010, execution period from December 15, 2010 to January 15, 2011;

47. Share based payments (Continued)

- 3° *tranche*: *vesting* from December 14, 2006 to December 15, 2011, execution period from December 15, 2011 to January 15, 2012.

The subscription price was set at Euro 30.66 per each ordinary share, calculated on the basis of a Company's valuation at the grant date, carried out by an independent expert.

The actuarial assessment of the stock option plan approved on December 16, 2006, in accordance with the provisions of IFRS 2, was carried out by an independent actuary through the application of the binomial method.

The application of the binomial method set the value of the stock option, as of December 16, 2006 (grant date), to Euro 5.1218 per option for the first tranche, Euro 5.7206 per option for the second tranche, and Euro 6.6158 per option for the third tranche.

The table below summarizes the data used in the model to assess the fair value of the plan at the grant date and which are still valid at the end of the year 2010:

Dividend yield	2.77%
Expected volatility	24.80%
Risk free interest rate	3.99%
Estimated duration of options	4 years
Weighted average rate of shares	30.66
Model used	Binomial

Volatility reflects the average estimated level of volatility on the daily historic series of prices for similar entities on different estimated time horizons linked to the duration of the various tranches. Expected volatility is indicative of future trends which may differ from actual results.

The risk free discount rate used is estimated on the basis of the IRS rate curve at the grant date, corresponding to the expiries of the various tranches under consideration.

The right to buy shares is dependent on the circumstance that, at the time of exercise of the option, the Company is listed on a regulated market; should for any reason the Company not be admitted to a regulated market or should the company itself not request such listing, the option right will be converted into a right to receive, at the expiring date and for the above prices, an amount equal to the difference between the value per share resulting from the independent evaluation done on December 16, 2006 and the value per share assessed at the grant date.

In choosing the accounting model, the management considered that the plan structure can be considered as a share-based payment settled in cash and cash equivalents, with the option to settle in favor of the Company. It was also considered that there was no current obligation for settlement in cash, as the option would be available only if the company was not listed on a capital market at the date of the first tranche and at the grant date the intention to purchase the investment was already expressed.

For this reason, this stock option plan has been accounted for as a share-based payment transaction settled with equity instruments.

On July 29 2008, the Board of Directors cancelled the stock option plan resolved on December 14, 2006 and and in May 2009 approved a new agreement with Mr. Norsa. As per the new agreement the parties modified the grant terms by redefining the exercise windows and changing the price for the services provided by the beneficiary. This price is no longer represented by the Company's ordinary shares but by a cash settlement whose amount is based on the value of the Company's shares, and not a value defined at the grant date.

47. Share based payments (Continued)

In particular, the cash settlement is divided in 3 tranches, offered for subscription from January 1 to February 28, over the three years period from May 28, 2009 to February 28, 2013 as specified below:

- 1° *tranche*: *vesting* from May 29, 2009 to December 31, 2010, execution period from January 1, 2011 to February 28, 2011;
- 2° *tranche*: *vesting* from May 29, 2009 to December 31, 2011, execution period from January 1, 2012 to February 28, 2012;
- 3° *tranche*: *vesting* from May 29, 2009 to December 31, 2012, execution period from January 1, 2013 to February 28, 2013.

It remains valid the option to postpone the exercise of the right to receive payments at the future maturity dates up to February 28, 2013; in which case the right should be exercised for the full amount matured at that moment.

In the event that at the exercise date the Company is listed, the value of the Company is calculated as weighted average of the prices between the two months prior to the exercise date and the two subsequent months.

In choosing the accounting model, management considered that this plan structure refers to a share-based payment settled in cash. For this reason, the services provided have been measured at the fair value of the liability concerned and the related impacts are recognized in the statement of income.

In the consolidated financial statements as of and for the year ended December 31, 2010 the accrued liability and the cost amounted to Euro 3,134 thousands and Euro 2,756 thousands, respectively.

The value of the accrued liability to the beneficiary has been estimated on the basis of a company evaluation, as of December 31, 2010, performed by an independent expert.

48. Put and call options on non-controlling interests

In the last years, the Ferragamo Group is grown in Italy, mainly through internal growth. In some geographical area, especially in the Asian area, the Group is grown also through the use of partnership agreements with local distributors. These partnerships are regulated through Shareholders' Agreements, that contain corporate governance rules and some put and call options that non-controlling shareholders may exercise under certain conditions.

The subsidiaries involved in the mentioned above put and call options are Ferragamo Japan K.K., Ferrimag Limited, Ferragamo Moda (Shanghai) Co. Ltd., Ferragamo Korea Limited, Ferragamo (Malaysia) Sdn Bhd, Ferragamo (Singapore) Pte. Ltd., Ferragamo (Thailand) Limited and Ferragamo Retail India Private Limited.

Impacts of the options on the consolidated financial statements are summarized below.

Regarding Ferragamo Japan K.K., the Shareholders' Agreement contains the opportunity for the non-controlling shareholders, that cumulatively own 29%, to sell to the Company their own shares at a contractually fixed price in case of effective financial needs of the non controlling shareholders or in case of changes in the investment strategy in the luxury industry. As a consequence, as of December 31, 2010, the Group recognized a financial liability related to the exercise of the put option for the 29% non controlling interest amounting to Euro 3,050 thousands, derecognized the shareholders' equity attributable to non-controlling interest for Euro 6,367 thousands and accrued a positive reserve in the shareholders' equity attributable to owners of the Company for Euro 3,317 thousands. As of December 31, 2009 and 2008 the corresponding effects related to the put option are not considered significant in relation to the financial position of Ferragamo Group.

Regarding the investment in the subsidiary Ferragamo Retail India Private Limited, in march 2010 the Group modified the Shareholders' Agreement to include, among others, the right for the Group to

48. Put and call options on non-controlling interests (Continued)

immediately buy the non controlling interest (representing 49% of the shareholders) to the fixed price of Indian Rupee 34.324.000, increased by the interests calculated on the basis of defined parameters. The Group has the right to exercise the call option up to June 30, 2016; in case that the Group will not exercise the call option within the terms the partner will have the opportunity to exercise a put option with similar terms. In consideration of the fixed price of the option and of contractual terms that guarantee to non controlling shareholders only the capital remuneration, starting from April 1, 2010 the Group has integrally consolidated the company Ferragamo Retail India Private Limited as management believe that the Group already got access to the economic benefits related to the non-controlling interest. As a consequence, as of December 31, 2010, the Group derecognized the shareholders' equity attributable to non-controlling interest for Euro 290 thousands, accrued a negative reserve in the shareholders' equity attributable to owners of the Company for Euro 277 thousands and recognized a financial liability for Euro 567 thousands.

49. Segment reporting

The IFRS 8 (Operating Segments) requires segment reporting in the financial statements to provide the information that management considers relevant for taking its operating decisions. Group Management regularly reviews the identified segment reporting to monitor the performance of the segments and to allocate resources.

Starting from 2010 the Group management identified only one operating segment including the fragrance business, that consists of the production and distribution of fragrances.

This presentation is on the same basis as used by the management to take its operating decision, and to allocate resources: therefore the fragrance business represents a product line within the whole range of products offered to the market and an effective image builder tool.

The communication strategy aims to associate the product "fragrance" to other categories of products branded Ferragamo, suggesting to the customers an homogeneous offer of products.

Consequently the segment reporting for the prior years has been redefined.

The identified segment includes the creation, development and production of (i) footwear, leather goods, clothing and accessories for men and women, mainly distributed through the direct retail network, and to a lesser extent through franchisee to qualified resellers and (ii) fragrances and related products

49. Segment reporting (Continued)

under the Ferragamo brand and, on license, the Ungaro brand; whose marketing is done through a network of selected, mainly multibrand, distributors.

	For the year ended December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Wholesale revenues	236,967	185,019	223,669
Retail revenues	435,744	420,449	542,967
Licences and services	11,175	6,544	6,850
Rental of investment property	6,944	7,586	8,115
Total revenue	**690,830**	**619,598**	**781,601**
Gross margin	**418,952**	**363,532**	**492,240**
%	**60.6%**	**58.7%**	**63.0%**
Personnel costs	(111,639)	(104,893)	(125,098)
Rental costs	(90,697)	(99,635)	(120,911)
Depreciation, amortization and impairment of non current assets	(21,627)	(24,848)	(26,105)
Communication costs	(45,962)	(26,433)	(39,685)
Other expenses	(85,236)	(71,247)	(94,004)
Operating income	**63,791**	**36,476**	**86,437**
Net financial income/(expenses)	(405)	(2,109)	2,401
Share of profit of associates	840	436	477
Income before taxes	**64,226**	**34,803**	**89,315**
Income taxes	(25,343)	(49,464)	(28,514)
Net income (loss) for the period	**38,883**	**(14,661)**	**60,801**

	As of December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Inventories	192,180	162,307	182,780
Trade receivables	66,163	57,347	75,377
Property, plant and equipments and investment property	119,779	113,738	115,171
Intangible assets with definite and indefinite useful life	14,218	13,817	14,888
Other assets	109,003	106,055	105,150
Total assets excluding cash and cash equivalents	**501,343**	**453,264**	**493,366**
Net financial position	86,990	80,746	17,901
Trade payables	94,378	77,260	103,607
Other liabilities	124,452	101,947	131,422
Shareholders' equity	195,523	193,311	240,436
Total liabilities and shareholders' equity (net of cash and cash equivalents)	**501,343**	**453,264**	**493,366**
Other segment information			
Investments in property, plant and equipments	24,442	18,320	18,202
Investments in investment property	—	—	8
Goodwill and other intangible assets with indefinite useful life	260	—	—
Investments in intangibile assets	3,736	2,600	3,548

49. Segment reporting (Continued)

Segment information by geographical area

The secondary segment information is by geographical area: revenues are allocated on the basis of the customers' geographic area and assets are allocated on the basis of their location.

As of and for the year ended December 31, 2008:

	Europe	North America	Japan	Asia-Pacific	Central-South Am.	Consolidation
			(in thousands of Euro)			
Revenue	**178,498**	**159,614**	**124,426**	**201,995**	**26,297**	**690,830**
Other information:						
Assets	49,740	60,234	7,269	27,904	2,161	147,308
Investments:						
Property, plant and equipment	6,785	9,558	961	6,410	728	24,442
Goodwill and other intangibile assets with indefinite life	—	—	—	260	—	260
Intangible assets	2,826	581	178	151	—	3,736

As of and for the year ended December 31, 2009:

	Europe	North America	Japan	Asia-Pacific	Central-South Am.	Consolidation
			(in thousands of Euro)			
Revenue	**150,913**	**136,093**	**111,018**	**193,857**	**27,717**	**619,598**
Other information:						
Assets	49,956	51,568	5,447	29,572	2,763	139,306
Investments:						
Property, plant and equipment	5,906	5,044	39	6,200	1,131	18,320
Intangible assets	2,215	176	93	116	—	2,600

As of and for the year ended December 31, 2010:

	Europe	North America	Japan	Asia-Pacific	Central-South Am.	Consolidation
			(in thousands of Euro)			
Revenue	**182,292**	**174,018**	**126,849**	**267,872**	**30,570**	**781,601**
Other information:						
Assets	51,485	47,865	4,792	35,565	3,372	143,079
Investments:						
Property, plant and equipment	5,483	2,481	43	8,929	1,266	18,202
Investment property	—	8	—	—	—	8
Intangible assets	3,304	153	16	75	—	3,548

50. Financial risks management

The Group is exposed, to different extent, to various financial risks in the normal course of business, particularly:

- market risks which are further divided in:
  (i) interest rate risks related to the effects of changing market interest rates;

50. Financial risks management (Continued)

(ii) exchange rate risks resulting from our operations in countries with currencies other than the Euro;

- liquidity risks related to the availability of financial resources and ease of access to the credit market, and related to the need to our need to meet short-term financial commitments; and
- credit (or counterparty) risks, which represent the risk of non-fulfillment of commercial or financial obligations accepted by our various counterparties and which arise from normal commercial transactions or financings, investments, and risk hedging.

The financial risks are managed at the Group level on the basis of guidelines defined by the Company's board of directors. This permits the control and coordination of the operations of individual subsidiaries, as well as the systematic monitoring of the Group's cash levels and exposures to financial risks and providing useful information for managing relations with financial institutions.

Based on the mentioned above guidelines, the Group manages specifically each financial risks aiming to minimize their relative impact, including through the use of derivative instruments, which are used solely for hedging purposes (IFRS requires some derivatives to be classified as trading derivatives, even if entered into for hedging purposes).

Financial liabilities mainly relate to bank loans, trade payables and for the remaining part to other financial providers. Management of these liabilities is mainly aimed to finance the operating activity of the Group.

Interest rate risk

Fluctuations in interest rates directly impact on net financial expenses and on the fair value of financial assets and liabilities.

Interest rate risk may be classified as follows:

- Cash flow risk: related to the changes in the amount of financial interest income received and of financial interest expenses paid due to the fluctuations in interest rates;
- Fair value or price risk: related to the sensitivity of the fair value of assets and liabilities to the fluctuations in the market interest rates (i.e. financial assets and liabilities associated to a fixed interest rate).

The Group is exposed to the cash flow risk, that represents the risk of increasing financial interest expenses due to unfavourable change in interest rates on the market. The Group is financed by the third parties mainly through bank loans at floating rates and cash surpluses are mainly invested in short term time deposits. Changes in market interest rates impact only on the cost of funding and on the return of investments and consequently on the financial income and expenses but do not impact on the fair value of financial assets and liabilities.

Total indebtedness consist of floating rate, short-term financings. The cost of bank debt is calculated at the market rate (generally Euribor or Libor) for the period, plus a spread that depends on the type of utilized credit lines. Bank loan tenures range from a few days to a maximum of one year. The spreads are in line with the best market standards.

Cash surpluses are invested in short-term time deposits with relationship banks that use the Euribor or Libor rate for the period as the base rate.

For the purpose of optimizing financial resources, the Group tries to reach equilibrium, between companies with cash surpluses and companies with financial needs, by less costly forms of finance.

Sensitivity to interest rate risk is monitored at the Group level, with appropriate consideration to total exposure, through coordinated management of debt and cash, and the relative maturities on the

50. Financial risks management (Continued)

instruments, within twelve months. During the years ended December 31, 2008, 2009 and 2010 the Group did not recur to derivatives to hedge the interest rate risk.

Sensitivity analysis

	Underlined	Increase/ decrease of underlined interest rates	Impact on statement of income
		(in thousands of Euro)	
Interest rate			
2008			
POSITIVE CHANGE	EURO	0.30%	(192)
	USD	0.50%	9
	JPY	0.10%	**(33)**
Total			**(216)**
NEGATIVE CHANGE	EURO	−0.30%	192
	USD	−0.50%	(9)
	JPY	−0.10%	**33**
Total			**216**
2009			
POSITIVE CHANGE	EURO	0.2500%	(176)
	USD	0.2200%	(8)
	JPY	0.0500%	(18)
Total			**(202)**
NEGATIVE CHANGE	EURO	−0.2500%	176
	USD	−0.2200%	8
	JPY	−0.0500%	18
Total			**202**
2010			
POSITIVE CHANGE	EURO	0.07%	(27)
	USD	0.05%	2
	JPY	0.01%	(4)
Total			**(29)**
NEGATIVE CHANGE	EURO	−0.07%	27
	USD	−0.05%	(2)
	JPY	−0.01%	4
Total			**29**

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 rates and by assuming parallel increases or decreases in the reference interest rate curves by individual currency in proportion to the respective observed annual volatility.

The result of the analysis undertaken on risk factors which generate significant exposure (interest rate curves in Euro, US dollars and Yen, whose effects are separately disclosed in the table above) showed the potential gains or losses in the statement of income for the years ended December 31, 2008, 2009 and 2010.

50. Financial risks management (Continued)

Changes in interest rates during the three year under review is largely explained by the changes in the amount of the assets and liabilities affected and by the significant decrease in the US dollar and Euro rates, as a result of the monetary policies which brought the rates of the main western economies close to zero.

The official interest rate on US Dollars since 2008 has been fixed by the FED in a range between zero and 0.25 per cent. The official interest rate on Euro since May 2009 has been fixed by the European Central Bank to one per cent.

The possible upwards or downwards in reference market interest rates do not have significant impacts on the Group statement of income.

Exchange rate risk

The Ferragamo Group is exposed to changes in the exchange rates of the currencies in which sales are recorded. In particular the exchange rate risk may be classified based on the nature of the risk and of the effects on:

- the economic result due to timing difference between the moment when transaction termas are defined (economic risk) and the moment when the trade or financial receivables/payables are translated into the functional currency (translation risk);
- the consolidated financial statements, economic result and shareholders' equity, as a consequence of the translation of assets and liabilities of subsidiaries that prepare their own financial statements in a currency other than the Group's functional currency (translation risk).

Furthermore it may be identified the competitive exchange risk, that may be defined as the sensitivity of the exchange rates compared to the competitors or rather the impact of the changes in the exchange rates on the market share in a specific market.

The Group operates in International markets and therefore is exposed to the risk of fluctuations of exchange rate, that are reflected in the economic results and the shareholders'equity.

The Group's functional currency for the presentation of financial data is the Euro.

For the companies that present their financial statements using a functional currency that differs from the one of the Group, in accordance with IFRS:

- the statements of income are translated in Euro using the average Exchange rate for the year; being equals revenue and margin in local currency, fluctuations in exchange rates may have effects on the value in Euro of revenue, costs and economic results;
- assets and liabilities are translated using the Exchange rates in force at the end of the period and therefore may have different value as a consequence of the fluctuations in exchange rates. Such effects are recognized in the statement of comprehensive income and in the shareholders' equity (i.e. in the translation reserve).

Furthermore also the economic ratios may be impacted if the proportions between profit, total assets, indebtedness and shareholders' equity expressed in different currencies change due to the fluctuations in the exchange rates.

The Group does not hedge the exchange rate risk linked to the translation of the financial statements of foreign subsidiaries.

The purpose of the exchange rate risk management policy is to minimize the economic exchange rate risk, i.e. the risks deriving by unfavourable changes of exchange rates in the period between the moment when the credit/debit in a currency other than Euro arises, the moment of booking the credit/debit in the accounting system and the moment when the cash flow actually occurres, originating exchange differences that impact on the statement of income.

50. Financial risks management (Continued)

The Group manages the exchange rate risk originated by its commercial activity, in accordance with the exchange rate risk management policy and with the exchange rate risk management objectives which are periodically defined, through the sistematic hedging of estimated sales in foreign currencies related to the future collections.

The Group operates in International markets also through commercial companies located in countries that utilizes local currency other than Euro, mainly US Dollar and Japanese Yen. For the year ended December 31, 2010, the percentage of the Company's sales in US Dollars was about 58% of total sales and the percentage of the Company's sales in Japanese Yen was 15% of total sales. For the year ended December 31, 2009, the percentage of the Company's sales in US Dollars was about 57% of total sales and the percentage of the Company's sales in Japanese Yen was 15% of total sales.

Exchange rate risk is mainly originated by the exports of the Company in US Dollar and Japanese Yen.

In relation to the Group's business model, the most of the costs are denominated in Euro (i.e. production costs and corporate costs), instead revenue and costs for the most of the Group's subsidiaries are mainly denominated in the local currencies of the countries where the subsidiaries operate. In particular the Group is exposed to the fluctuations of the Euro/US Dollar exchange rate, for the sales in the North-American market and for the sales in countries where the US Dollar represents the functional currency for commercial transactions (i.e. the Far East area).

In this context the Group is exposed to changes in the exchange rates of the currencies in which sales are recorded. This takes the form of the risk that the corresponding value in Euro of revenues is insufficient to cover production costs and to achieve the forecast profit. This risk is stressed by the length of the period, between the moment when the sale prices of the collection are set and the moment when revenues are converted into Euro, that extends up to eighteen months.

The Company (as 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, within a maximum expected time horizon of 24 months. In the years under review the Group covered its exchange rate risk only through currency forwards contracts.

Depending on market expectations and conditions, hedging contracts are arranged before establishing price lists for a total of between 50% and 90% of the Company's expected sales and in the period immediately following the definition of the price lis supplemented to take into account the actual orders received and in the production cycle; thus the Company limits the risk connected to its commercial business only to the volume of sales.

Furthermore also some asian and latin american subsidiaries make purchases in US Dollars or Euro and sell in the currency of the country in which they operate. The value of these contracts are significantly lower respect to those of the Company.

The company Ferragamo Parfums S.p.A. hedges the Exchange rate risk trough loans denominated in foreign currencies.

Additionally the Group monitors and hedges the exposure to fluctuations of value of assets and liabilities expressed in currencies other than the functional currency of the single entity and that may determine effects on the statement of income (i.e. financial credit and debit balances inter-company)through financial instruments accounted for in accordante with the fair value hedge accounting rules as stated by IFRS: gains or losses deriving from subsequent changes in the fair value of the hedging instrument, as wella s the underlying asset/liability, are directly charged to the statement of income.

The hedges related to future transactions in foreign currencies (that may be classified as cash flow hedges as per IFRS) are accounted for in accordance with hedge accounting rules.

50. Financial risks management (Continued)

The table below sets forth the changes in the cash flow hedges reserve for the years ended December 31, 2008, 2009 and 2010.

Exchange rate risk

	Cash Flow Hedge Reserve as of December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Opening balance	**10,876**	**(15,139)**	**7,419**
+ increase for recognition of new positive effectiveness	10,256	11,711	4,740
− decrease for recognition of new negative effectiveness	(23,989)	(6,439)	(26,825)
− decrease for release of positive effectiveness from shareholders' equity and recognition of income in the statement of income	(16,388)	(3,048)	(4,530)
+ increase for release of negative effectiveness from shareholders' equity and recognition of charge in the statement of income	4,106	20,334	16,071
Closing balance	**(15,139)**	**7,419**	**(3,125)**

The cash flow hedge reserve, that includes all the changes in the value of the exchange rate hedge instruments, decreased by Euro 26,015 thousands in 2008, increased by Euro 22,588 thousands in 2009 and decreased by Euro 10,544 thousands in 2010, as a consequence of the fluctuation in Exchange rate underlying the hedge instruments, mainly the Euro/US Dollar, that reached its maximum around 1.60 and minimum below 1.19, and Euro/Japanese Yen that reached its maximum of about 170 in 2008 and its minimum of 106 in 2010.The portion of reserve charged to the statement of income, following the realization of the estimated cash flow, was Euro 17,286 thousands in 2009 and Euro 11,541 thousands in 2010.

During the period 2009-2010 there was no interruptions of the hedging contracts due to the cancellation of the underlying estimated value. The hedge instruments have been effective 100% for all the duration of the underlying hedged value.

50. Financial risks management (Continued)

The table below sets forth the average time horizon and the extent by risk factor of the exchange rate hedging contracts held by the Group as of December 31, 2008, 2009 and 2010:

Cash flow analysis

	Total cash flows estimated	Up to 3 months	From 3 to 6 months	From 6 to 9 months	From 9 to 12 months	Over one year
			(in thousands of currency)			
For the year ended December 31, 2008						
Sales in USD estimated	**256,000**	35,000	65,000	80,000	43,000	33,000
Sales in JPY estimated	**4,800,000**	700,000	1,000,000	1,500,000	1,200,000	400,000
Sales in GBP estimated	**3,700**	1,400	1,600	700		
Sales in MXN estimated	**145,000**	20,000	45,000	45,000	25,000	10,000
Sales in CHF estimated	**7,950**	1,500	1,250	1,850	1,950	1,400
Sales in AUD estimated	**3,550**	1,000	1,000	1,000	500	50

	Total cash flow estimated	Up to 3 months	From 3 to 6 months	From 6 to 9 months	From 9 to 12 months	Over one year
			(in thousands of currency)			
For the year ended December 31, 2009						
Sales in USD estimated	**180,000**	49,000	51,000	57,000	23,000	
Sales in JPY estimated	**4,200,000**	1,000,000	1,000,000	1,700,000	400,000	100,000
Sales in GBP estimated	**4,800**	1,400	1,600	1,500	300	
Sales in MXN estimated	**130,000**	35,000	35,000	30,000	30,000	
Sales in CHF estimated	**8,400**	1,500	1,900	1,500	1,500	2,000
Sales in AUD estimated	**2,250**	250	500	500	880	120

	Total cash flow estimated	Up to 3 months	From 3 to 6 months	From 6 to 9 months	From 9 to 12 months	Over one year
			(in thousands of currency)			
For the year ended December 31, 2010						
Sales in USD estimated	**300,000**	68,000	57,000	77,000	58,000	40,000
Sales in JPY estimated	**6,000,000**	1,300,000	1,100,000	1,500,000	1,200,000	900,000
Sales in GBP estimated	**6,350**	1,450	1,650	1,500	1,300	450
Sales in MXN estimated	**200,000**	35,000	45,000	40,000	50,000	30,000
Sales in CHF estimated	**8,750**	1,750	1,500	1,500	1,500	2,500
Sales in AUD estimated	**3,370**	370	750	750	650	850

In terms of notional amounts of currency being hedged, the most significant hedging activity aims to mitigate the risk due to the fluctuations in the exchange rate between the euro and the following currencies: US Dollar, Japanese Yen, Pound sterling and the Mexican peso.

In terms of duration, the exchange rate hedging contracts expiring over one year all expire within eighteen months.

The date of occurrence of the underlying assets substantially corresponds to the date of recognition of the impact on the statement of income, that is the date when the estimated cash flows, underlying to the exchange rate hedging contracts, are actually invoiced.

50. Financial risks management (Continued)

Sensitivity Analysis

		Increase/ Decrease in Foreign exchange rates	Items	Impact on statement of income	Impact on shareholder's equity
			(in thousands of Euro)		
As of December 31, 2008					
POSITIVE CHANGE	EUR/JPY	21.2%	Derivatives	415	
			Non-derivatives		6,647
	EUR/USD	19.5%	Derivatives	13	
			Non-derivatives		30,046
	USD/KRW	27.0%	Derivatives	(736)	
			Non-derivatives	4,459	
	EUR/MXN	30.7%	Derivatives	133	
			Non-derivatives	61	1,647
Total				**4,345**	**38,340**
NEGATIVE CHANGE	EUR/JPY	21.2%	Derivatives	(639)	(10,216)
			Non-derivatives	(21)	
	EUR/USD	19.5%	Derivatives		(44,624)
			Non-derivatives	1,093	
	USD/KRW	27.0%	Derivatives	(988)	
			Non-derivatives	(231)	
	EUR/MXN	30.7%	Derivatives	(115)	(3,102)
			Non-derivatives		
Total				**(901)**	**(57,942)**
As of December 31, 2009					
POSITIVE CHANGE	EUR/JPY	16.0%	Derivatives		4,040
			Non-derivatives	(230)	
	EUR/USD	13,2%	Derivatives	(1,997)	13,657
			Non-derivatives	(183)	
	USD/KRW	18.0%	Derivatives	948	
			Non-derivatives	(420)	
	EUR/MXN	15.5%	Derivatives	69	827
			Non-derivatives		
Total				**(1,813)**	**18,524**
NEGATIVE CHANGE	EUR/JPY	−16.0%	Derivatives		(5,580)
			Non-derivatives	318	
	EUR/USD	−13.2%	Derivatives	4,334	(17,739)
			Non-derivatives	238	
	USD/KRW	−18.0%	Derivatives	(1,166)	
			Non-derivatives	604	
	EUR/MXN	−15.5%	Derivatives	(93)	(1,119)
			Non-derivatives		
Total				**4,235**	**(24,438)**
As of December 31, 2010					
POSITIVE CHANGE	EUR/JPY	14.7%	Derivatives	118	6,468
			Non-derivatives	167	
	EUR/USD	13.0%	Derivatives		24,364

50. Financial risks management (Continued)

		Increase/ Decrease in Foreign exchange rates	Items	Impact on statement of income	Impact on shareholder's equity
			(in thousands of Euro)		
			Non-derivatives	(111)	
	USD/KRW	13.0%	Derivatives	768	
			Non-derivatives	90	
	EUR/MXN	14.0%	Derivatives		1,410
			Non-derivatives	(8)	
Total				**1,024**	**32,242**
NEGATIVE CHANGE	EUR/JPY	−14.7%	Derivatives	(158)	(8,689)
			Non-derivatives	(224)	
	EUR/USD	−13.0%	Derivatives		(31,611)
			Non-derivatives	140	
	USD/KRW	−13.0%	Derivatives	(1,173)	
			Non-derivatives	(90)	
	EUR/MXN	−14.0%	Derivatives		(1,869)
			Non-derivatives	10	
Total				**(1,495)**	**(42,169)**

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 proportionally to their annual volatility applied to all significant financial assets and liabilities originally expressed in foreign currencies.

In particular all the currencies other than Euro and the following items have been subject to the analysis:

- derivatives on exchange rate;
- trade receivables and other receivables;
- trade payables and other payables;
- cash and cash equivalents;
- short and long term financial liabilities.

The table above sets forth the more significant impacts and the related currencies and refer to the Exchange risk as per IFRS 7 without taking into account the effects related to the translation of the financial statements of foreign companies that use other currencies other than Euro as functional currency.

A positive change in the identified above exchange rates (EUR/JPY, EUR/USD, USD/KRW and EUR/MXN) would have generated a gain of Euro 4,345 thousands for the year 2008, a loss of Euro 1,813 thousands for the year 2009 and a gain of Euro 1,024 thousands for the year 2010; similarly, a negative change in the exchange rates would have generated a loss of Euro 901 thousands in 2008, a gain of Euro 4,235 thousands in 2009 and a loss of Euro 1,495 thousands in 2010. The major impact on the statement of income that would have occurred in 2009 as a consequence of the estimated changes in the exchange rate EUR/USD is related to a single forward purchase transaction in US Dollars against Euro carried out to hedge an intercompany loan which is not denominated in the accounting currency and accounted for following the fair value hedge accounting rules.

The increase in shareholders equity generated by the hedge derivatives as a consequence of the estimated rises in exchange rates would have been Euro 38,340 as of December 31, 2008,

50. Financial risks management (Continued)

Euro 18,524 thousands as of December 31, 2009 and Euro 32,242 thousands as of December 31, 2010; the reduction in shareholders equity as a consequence of the estimated decreases in exchange rates would have been Euro 57,942 thousands, Euro 24,438 thousand and Euro 42,169 thousand as of December 31, 2008, 2009 and 2010, respectively.

The sensitivity analysis carried out as described above, shows a significant impact only on the Group shareholders equity, as a consequence of the possible change in the value of hedge derivatives, which is suspended in the cash flow hedge reserve and whose impact on the statement of income will occur in the following years, on the actual occurrence of the estimated sales.

For each of the years under review, the increase or decrease of the impact on the statement of income and on the statement of financial position is mainly due to the trend of each currency at the reference date and to the changes in financial assets and liabilities exposed to the exchange rate risk.

Liquidity risk

Liquidity risk arises when it is difficult to obtain financial resources required to carry out normal business activities at acceptable conditions as expressed by the difficulty in: (i) raising funds at current market price conditions ("funding liquidity risk") or (ii) liquidating assets on the market to raise the financial resources needed ("asset liquidity risk"). The factors that affect the Group's liquidity are: (i) cash generated by or used in our operating and investing activities, (ii) debt maturity dates and the ability to renew debt and (iii) maturity and liquidity of financial instruments of cash surpluses.

The Company monitors on a daily basis the Group's liquidity needs or surpluses of cash to ensure that the Group can promptly raise financial resources effectively and invest its cash appropriately. Negotiation and management of credit lines are coordinated by the Company.

As of December 31, 2010, the Group had in force a Stand-by Club Deal, a revolving, committed, multi-currency and multi-borrower credit lines with an original term of five years for Euro 100,000 thousands with multiple bank counterparties, in addition to multi-borrower short- medium term credit lines for Euro 195,000 thousands and revocable short term credit lines for the Company and some of its subsidiaries totaling Euro 110,863 thousands.

As at the same date, the Group had unused committed credit lines for Euro 172,470 thousands and uncommitted credit lines totaling Euro 87,164 thousands against total debt of approximately Euro 146,229 thousands and a net financial debt of Euro 18,151 thousands.

During the course of 2010, agreements for new committed credit lines with various counterparties were renewed or entered into, for a total amount slightly higher than the amount expiring and with a concurrent extension of the terms of the lines. As a result, as of December 31, 2010 committed lines have a maximum remaining term of 25 months and a remaining weighted average term of 12 months and no amounts have been outstanding for more than 12 months. Counterparties of credit lines are several local and International banks.

The Group's policy is to enter and continuously maintain an amount of committed lines of credit, on established financial terms with a variety of bank counterparties, considered appropriate for the needs of the individual companies. Such credit resources can be drawn down at any moment to provide the necessary liquidity to satisfy the Group's financial commitments and maintain operational flexibility. In addition, cash surpluses are invested with relationship banks in short-term time deposits that range from one to three months in length and are based on Euribor or Libor. The investment of cash surpluses is undertaken with a view to retaining the flexibility to call upon such cash reserves on short notice. Furthermore, the use of money market instruments reduces the risk of losses associated with more speculative transactions.

In addition, the Group's Treasury department aims to reduce liquidity risk by centralizing the management of all of the Group's credit facilities and the Group's financial planning. The Group despite

50. Financial risks management (Continued)

the economic environment has been able to have access to credit facilities at competitive rates and to maintain its committed lines to face the difficulties in the market and the restriction of liquidity in the financial market.

The Group's Treasury department monthly monitors the financial position of the Group and each subsidiary and compares it to the latest forecast data.

Management believes that the available funds and credit lines, supplemented by funds expected to be generated by current operations will enable the Group to repay the borrowings under our finance agreements at their natural expiration and to satisfy the needs arising from investments and the management of operating working capital and to eventually distribute dividends to reward the share capital.

The tables below set forth the breakdown of financial liabilities as of December 31, 2008, 2009 and 2010.

Liquidity risk

	As of December 31, 2008				
	< 3 months	3-12 months	1-5 years	>5 years	Total
	(in thousands of Euro)				
Trade payables	94,056	—	—	—	94,056
Due to banks	163,659	357	—	—	164,016
Shareholders loans	—	1,819	—	—	1,819
Other borrowings*	—	8	—	—	8
Derivatives (non-hedging component)		93	—	—	93
Derivatives (hedging component)	5,034	11,320	—	—	16,354
Total	**262,749**	**13,957**	**—**	**—**	**276,346**

	As of December 31, 2009				
	< 3 months	3-12 months	1-5 years	>5 years	Total
	(in thousands of Euro)				
Trade payables	76,927				76,927
Due to banks	118,011	37,690			155,701
Shareholders loans	989	2,370			3,359
Other borrowings*		5			5
Due to third parties					
Derivatives (non-hedging component)	117	108			226
Derivatives (hedging component)	95	1,110	5		1,211
Total	**196,139**	**41,284**	**5**		**237,428**

50. Financial risks management (Continued)

	As of December 31, 2010				
	< 3 months	3-12 months	1-5 years	>5 years	Total
	(in thousands of Euro)				
Trade payables	102,720				102,720
Due to banks	141,856	4,737			146,593
Shareholders loans		916			916
Other borrowings*					
Due to third parties	3,666				3,666
Derivatives (non-hedging component)	460	178			639
Derivatives (hedging component)	2,840	3,427	131		6,397
Total	**251,543**	**9,258**	**131**		**260,931**

(*) The item relates to the financial leasing for office equipments of the Chinese companyFerragamo Fashion Trading (Shanghai) Co.Ltd.

The analysis of the financial liabilities as of December 31, 2008, 2009 and 2010 showed a concentration of maturities within 3-months and values nil or not significant for maturities over 12 months. Financial assets recorded in the financial position have a similar residual life.

Credit risk

Credit risk consists of the Company and Group's exposure to potential losses arising when commercial or financial counterparties are unable to fulfill their obligations.

The Group presents a different exposure to credit risk depending on the nature of the credit.

The Group's commercial risk includes exposure to non-payment from wholesale sales and receivables from licensing activities, which together account for 30% of its revenue. Retail sales, in contrast, are paid by cash and credit card.

Each business unit is responsible for the credit management, including the collection and potential litigation.

The Group generally gives preference in commercial relations to clients with whom it has long-term relationships. It is also the Group's policy to require clients requesting extended payment tenures to undergo credit verification procedures, through information gathered by specialized agencies and financial data for recurring clients. Receivables balance is constantly monitored to quickly intervene and reduce the risk of losses.

Trade receivables are recorded in the statement of financial position net of estimated write-offs on the basis of the risk of non-performance by the counterparty, which is computed based on information available on the client's solvency and historical data.

In the latest fiscal years payment conditions for wholesale clients have been extended however the credit risk has been managed by seeking and obtaining guarantees and requiring letters of credit from wholesale clients. Additionally the Group to further manages the credit risk recurs to insurance policies for specific portfolio of receivables selected together with the insurance company or the factor that will take the risk of insolvency.

With respect to the customers, management believes that the Group's policies have enabled the Group to contain credit risk within acceptable parameters of overdue and insolvency and to have limited recourse to legal actions. In 2009, there was one significant loss due to the bankruptcy of a perfume distributor in Japan, resulting in a Euro 2,274 thousands recorded loss.

50. Financial risks management (Continued)

The credit risk connected to derivatives transactions is represented by the inability of the counterparty or the issuer of the derivative instrument to fulfill its obligations.

With regards to financial institutions, the Group has a policy of favoring well-established institutions with high credit scores and with whom it has maintained long banking relations. With regards to derivative transactions, the Group utilizes contracts based on international standards.

The credit risk connected to the Group's other financial assets (i.e. cash and cash equivalents, financial assets available for sale and certain derivative instruments), is represented by the book value of the asset in case of insolvency of the counterparty.

Credit risk

	As of December 31,					
	2008		2009		2010	
	Current portion	Non current portion	Current portion	Non current portion	Current portion	Non current portion
	(in thousands of Euro)					
Financial assets designated at fair value through profit and loss:						
Other financial assets	20	—	17		19	
Loans and receivables:						
Receivables from others (M/L term)	2,000	1,500	1,400	1,100	250	1,250
Trade receivables	66,163		57,347		75,377	
Cash and cash equivalents	78,237		77,403		132,895	
Guarantee deposits	—	5,348		5,721		6,769
Derivatives	2,730	1,281	7,826		3,918	91
Total	**149,150**	**8,129**	**143,993**	**6,821**	**212,459**	**8,110**

The tables above shows how the Group's exposure to credit risk is represented by the book value of the financial assets as of December 31, 2008, 2009 and 2010 and it is almost entirely limited to the current portion.

The table below sets forth the concentration of the credit by geographical area as of December 31, 2008, 2009 and 2010.

Credit risk

	Book value as of Dec. 31, 2008	%	Book value as of Dec. 31, 2009	%	Book value as of Dec. 31, 2010	%
	(in thousands of Euro)					
Italy	11,462	17.3%	10,374	18.1%	10,800	14.3%
Europe	12,225	18.5%	5,365	9.4%	6,392	8.5%
North-America	6,221	9.4%	6,547	11.4%	7,416	9.8%
East Asia	32,812	49.6%	30,462	53.1%	43,489	57.7%
Others	3,443	5.2%	4,600	8.0%	7,280	9.7%
Total	**66,163**	**100.0%**	**57,347**	**100.0%**	**75,377**	**100.0%**

The table below sets forth the analysis of the credit by due date as of December 31, 2008, 2009 and 2010.

50. Financial risks management (Continued)

Credit risk

	Book value							
	Not yet due and not impaired receivables		Overdue not impaired receivables					
	Renego-tiated	Non renego-tiated	<30 days	30-60 days	60-90 days	90-120 days	>120 days	Total
				(in thousands of Euro)				
2008		44,359	13,035	5,129	1,344	1,003	1,293	66,163
2009	—	46,053	7,218	1,031	740	564	1,741	57,347
2010	—	59,175	11,219	3,201	379	611	793	75,377
				(Percentage)				
2008	—	67.0%	19.7%	7.8%	2.0%	1.5%	2.0%	100.0%
2009	—	80.3%	12.6%	1.8%	1.3%	1.0%	3.0%	100.0%
2010	—	78.5%	14.9%	4.2%	0.5%	0.8%	1.1%	100.0%

The analysis disclosed in the table above shows that as of December 31, 2008, 2009 and 2010 the most of the overdue not impaired receivables are overdue within 30 days.

The table below sets forth the concentration of sales to the main customers; for the concentration of sales by geographic area, reference should be made to the contents in the specific section above.

Concentration of sales	2008	2009	2010
Percentage of revenue realized with the biggest client	2.1%	2.1%	1.9%
Percentage of revenue realized with the 3 biggest clients	4.6%	4.7%	4.7%
Percentage of revenue realized with the 10 biggest client	10.7%	8.7%	11.0%

51. Management of financial resources

The main purpose of the Group s capital management activity is to ensure that a strong credit rating and an adequate levels of capital indicators are maintained in order to support business and optimize value for shareholders. The Group manages and modifies the capital structure it in relation to changes in economic conditions. To maintain or adjust the capital structure, the Group can adjust the amount of dividends paid, reimburse the share capital or issue new shares. During the year ended December 31, 2008, 2009 and 2010 no change was made to the purposes, policies or procedures.

The net debt of the Group includes interest-bearing loans, trade and other payables net of cash and cash equivalents. The table below sets forth the net debt as of December 31, 2008, 2009 and 2010.

	As of December 31,		
Indebtedness and capitalization	2008	2009	2010
		(in thousands of Euro)	
Interest-bearing loans	165,227	158.149	150.796
Trade payables and other payables	143,230	100.977	152.578
Cash and cash equivalents	78,237	77.403	132.895
Net debt position	**230,220**	**181.723**	**170.479**
Shareholders' equity attributable to owners of the parent	153,899	146.578	193.070
Shareholders' equity attributable to non-controlling interests	41,624	46.733	47.366
Total shareholders' equity	**195,523**	**193.311**	**240.436**
Total indebtedness and capitalization	**425,743**	**375.034**	**410.915**
Net debt/Shareholders'equity ratio	**118%**	**94%**	**71%**

52. Transactions with Related parties

The tables below set forth the impact of the transactions with related parties on the consolidated financial statement for the year ended December 31, 2008, 2009 and 2010.

Consolidated financial statement as of and for the year ended December 31, 2008

	For the year ended December 31, 2008			As of December 31, 2008			
	Revenues	Operating expenses	Financial income/ expenses	Trade receivables	Trade payables	Other current non-financial liabilities	Financial liabilities
	(in thousands of Euro)						
Company with significant influence over the Group							
Ferragamo Finanziaria S.p.A.	10			18		1,435	
Associates							
Palazzo Feroni Finanziaria S.p.A.	2,264	(4,472)		18	30		
Lungarno Alberghi S.p.A.	52	(625)		4	5		
Zefer S.p.A.	1,764			1,764			
Group's management							
Caretti & Associati S.p.A.		(263)			91		
Wanda Miletti Ferragamo		(75)					
Il Borro S.r.l.	25	(91)			60		
Fulvia Ferragamo Visconti	5	(36)					
Bacco S.r.l.		(3)					
Nautor Med S.r.l.	45						
Rubino S.r.l.		(77)			6		
Castiglion del Bosco S.a.r.l.		(4)			4		
Studio Legale Portale Visconti		(85)					
Giacomo Ferragamo		(362)					
Angelica Visconti		(155)					
Total	**4,165**	**(6,247)**	**—**	**1,804**	**196**	**1,435**	**—**
Total Group	**683,886**	**(620,095)**	**—**	**66,163**	**94,378**	**58,028**	**—**
Incidence %	0.61%	1.01%	—	2.73%	0.21%	2.47%	—

52. Transactions with Related parties (Continued)

Consolidated financial statement as of and for the year ended December 31, 2009

	For the year ended December 31, 2009			As of December 31, 2009			
	Revenues	Operating expenses	Financial income/ expenses	Trade receivables	Trade payables	Other current non-financial liabilities	Financial liabilities
	(in thousands of Euro)						
Company with significant influence over the Group							
Ferragamo Finanziaria S.p.A.				683		915	
Associates							
Palazzo Feroni Finanziaria S.p.A.	58	(4,683)		32	27		
Lungarno Alberghi S.p.A.	16	(599)		18	5		
Zefer S.p.A.	1,267	(3)		1,267		3	
Group's management							
Caretti & Associati S.p.A.		(205)			96		
Wanda Miletti Ferragamo		(76)					
Il Borro S.r.l.	9	(51)		7	45	5	
Fulvia Ferragamo Visconti	1						
Bacco S.r.l.		(3)					
Nautor Med S.r.l.							
Rubino S.r.l.		(91)			3		
Castiglion del Bosco S.a.r.l.		(4)				4	
Studio Legale Portale Visconti		(380)			175		
Giacomo Ferragamo		(331)					
Angelica Visconti		(146)					
Total	**1,351**	**(6,572)**		**2,007**	**351**	**927**	
Total Group	**612,012**	**(575,536)**	**—**	**57,347**	**77,260**	**40,476**	**—**
Incidence %	0.22%	1.14%	—	3.50%	0.45%	2.29%	—

52. Transactions with Related parties (Continued)

Consolidated financial statement as of and for the year ended December 31, 2010

	For the year ended December 31, 2010			As of December 31, 2010			
	Revenues	Operating expenses	Financial income/ expenses	Trade receivables	Trade payables	Other current non-financial liabilities	Financial liabilities
			(in thousands of Euro)				
Company with significant influence over the Group							
Ferragamo Finanziaria S.p.A.				218		10,832	
Associates							
Palazzo Feroni Finanziaria S.p.A.	36	(4,849)		6			
Lungarno Alberghi S.p.A.	84	(499)		28			
Zefer S.p.A.	1,459			1,459	7		
Group's management							
Caretti & Associati S.p.A.		(200)			37		
Wanda Miletti Ferragamo		(77)					
Il Borro S.r.l.	1	(70)		1	9		
Fulvia Ferragamo Visconti							
Bacco S.r.l.		(3)					
Nautor Med S.r.l.	12						
Rubino S.r.l.		(94)					
Castiglion del Bosco S.a.r.l.		(3)					
Studio Legale Portale Visconti		(132)			117		
Giacomo Ferragamo		(407)					
Angelica Visconti		(154)					
Total	**1,592**	**(6,487)**		**1,712**	**170**	**10,832**	
Total Group	**773,486**	**(687,049)**	**—**	**75,377**	**103,607**	**76,797**	**—**
Incidence %	0.21%	0.94%	—	2.27%	0.16%	14.10%	—

Sales and purchases between related parties are carried out at normal market prices. The outstanding balances at the end of the year are not backed by any guarantees, nor do they generate interest and are settled in cash. There are no guarantees, given or received, relating to receivables and payables with related parties. The Group did not accrue any provision for bad debts in relation to amounts due from related parties.

In details:

- Ferragamo Finanziaria SpA is the holding of the parent company Salvatore Ferragamo Italia S.p.A., debts and credits relate to the tax consolidation regime;
- Palazzo Feroni Finanziaria S.p.A. is owned by the same shareholders who, directly and indirectly, own the Company; revenues relate to the sales of products and to the supply of IT and admnistrative services; costs relate to the rental lease for the headquarter offices in Florence and for retail stores in Italy;
- Lungarno Alberghi s.r.l. is a subsidiary of Palazzo Feroni Finanziaria; revenues relate to sales of products; costs mainly relate to rental lease;
- Zefer S.p.A. is a joint venture with Zegna Group, purchased by the Company on September 30, 2006 from ACV, revenues relate to fees for technical assistance services provided to the Company;

52. Transactions with Related parties (Continued)

- Caretti & Associati S.p.A., is a company in which the Company's Director Mr. Francesco Caretti has an investment; fees are related to consultancy services;
- Borro Srl is a company in which the Company's Director Mr. Signor Ferruccio Ferragamo has an investment; revenues relate to administrative services and to purchase of goods and services;
- The Nautor Med s.r.l. is a company in which the Company's Director Mr.Leonardo Ferragamo has an investment; revenues relate to sales of products;
- Bacco s.r.l. is a company in which the Company's Director Mrs. Fulvia Ferragamo Visconti and Mr. Massimo Ferragamo have an investment; costs refer to rental lease;
- Castiglion del Bosco s.r.l. is a related party of the Company's Director Mr. Massimo Ferragamo; costs refer to purchase of goods;
- Rubino s.r.l. is a company in which the Company's Director Mrs. Fulvia Ferragamo Visconti and Mr. Massimo Ferragamo have an investment; costs refer to rental lease.

53. Emoluments to Directors, Statutory Auditors, and managers with strategic responsibility

The Directors of the Company (Salvatore Ferragamo Italia SpA) do not receive any emolument from any other company included in the consolidation area; therefore their emoluments, amounting to Euro 1.1 million for the year ended December 31, 2008, Euro 1.3 milions for the year ended December 31, 2009 and Euro 1.3 million for the year ended December 31, 2010, are exclusively those paid by the Company and indicated in the statutory annual financial statements of the Company.

As indicated in detail in the paragraph share based payment above, it should be noted that during the year ended December 31, 2009 the grant terms were changed by redefining the exercise windows and modifying the cost for the services provided by the beneficiary. This cost is no longer represented by the company s ordinary shares but by a cash payment, whose amount is based on the value of the company at the grant date.

Board of Statutory Auditors' members, besides the fees paid by the Company (amounting to Euro 58 thousands, Euro 55 thousands and Euro 99 thousands for the year 2008, 2009 and 2010, respectively), receive Euro 12 thousands for the year 2008 and Euro 11 thousands for both year 2009 and 2010 from other companies included in the consolidation area for the same position.

The table below sets forth the impact of the costs of the related parties and directors on the statement of financial position and on the statement of income.

Statement of financial position	As of December 31, 2008	Related Parties	%
	(in thousands of Euro)		
Trade receivables	66,163	22	0.03%
Other receivables	28,377	1,782	6.28%
Total current assets	**379,798**	**1,804**	**0.47%**
Total Assets	**579,580**	**1,804**	**0.31%**
Trade payables	94,378	196	0.21%
Other payables	48,852	1,435	2.94%
Total current liabilities	**317,946**	**1,627**	**0.51%**
Total liabilities and Shareholders' equity	**579,580**	**1,627**	**0.28%**

53. Emoluments to Directors, Statutory Auditors, and managers with strategic responsibility (Continued)

Statement of financial position	As of December 31, 2009	Related Parties	%
	(in thousands of Euro)		
Non-current assets			
Trade receivables	57,347	18	0.03%
Other receivables	32,646	1,989	6.09%
Total current assets	**336,294**	**2,007**	**0.60%**
Total Assets	**530,667**	**2,007**	**0.38%**
Trade payables	77,260	351	0.45%
Other payables	23,717	927	3.91%
Total current liabilities	**276,458**	**1,103**	**0.40%**
Total liabilities and Shareholders' equity	**530,667**	**1,103**	**0.21%**

Statement of financial position	As of December 31, 2010	Related Parties	%
	(in thousands of Euro)		
Non-current assets			
Trade receivables	75,377	35	0.05%
Other receivables	23,213	1,677	7.22%
Total current assets	**421,310**	**1,712**	**0.41%**
Total Assets	**626,261**	**1,712**	**0.27%**
Trade payables	103,607	170	0.16%
Other payables	48,971	10,832	21.84%
Total current liabilities	**331,951**	**10,885**	**3.31%**
Total liabilities and shareholders' equity	**626,261**	**10,885**	**1.74%**

53. Emoluments to Directors, Statutory Auditors, and managers with strategic responsibility (Continued)

Statement of income	For the year ended December 31, 2008	Related parties	Directors	Total	%
		(in thousands of Euro)			
Revenue for sales and services	683,886	1,879		1,879	0.27%
Income from rental of investment properties	6,944			—	—
Cost of sales	(271,878)			—	—
Gross profit	**418,952**	**1,879**	**—**	**1,879**	**0.45%**
Other income	9,704	2,286	—	2,286	23.56%
Style and product development and logistic costs	(30,189)	(362)		(362)	1.20%
Selling and distribution costs	(221,348)	(3,491)		(3,491)	1.58%
Communication and marketing costs	(47,696)			—	—
General and administrative expenses	(55,996)	(2,385)	(2,874)	(5,259)	9.39%
Other operating expenses	(9,666)	(8)		(8)	0.08%
Operating income	**63,791**	**(2,080)**	**(2,874)**	**(4,954)**	
Financial expenses	(26,373)			—	—
Finacial income	25,968			—	—
Share of profit of associates	840			—	—
Income before income taxes	**64,226**	**(2,080)**	**(2,874)**	**(4,954)**	—
Income taxes	(25,343)			—	—
Net income (loss) for the year	**(38,883)**	**(2,080)**	**(2,874)**	**(4,954)**	—
Net income (loss) for the year attributable to owners of the parent	(29,787)	(2,080)	(2,874)	(4,954)	—
Net-income attributable to non-controlling interests	9,096			—	—

53. Emoluments to Directors, Statutory Auditors, and managers with strategic responsibility (Continued)

Statement of income	For the year ended December 31, 2009	Related parties	Directors	Total	%
		(in thousands of Euro)			
Revenue for sales and services	612,012	1,309		1,309	0.21%
Income from rental of investment properties	7,586			—	—
Cost of sales	(256,066)			—	—
Gross profit	**363,532**	**1,309**	**—**	**1,309**	**0.36%**
Other income	19,664	42	—	42	0.21%
Style and product development and logistic costs	(24,826)	(334)		(334)	1.35%
Selling and distribution costs	(220,834)	(3,544)		(3,544)	1.60%
Communication and marketing costs	(31,502)			—	—
General and administrative expenses	(55,997)	(2,682)	(1,270)	(3,952)	7.06%
Other operating expenses	(13,561)	(12)		(12)	0.08%
Operating income	**36,476**	**(5,221)**	**(1,270)**	**(6,491)**	—
Financial expenses	(18,068)			—	—
Finacial income	15,959			—	—
Share of profit of associates	436			—	—
Income before income taxes	**34,803**	**(5,221)**	**(1,270)**	**(6,491)**	—
Income taxes	(49,464)			—	—
Net income (loss) for the year	**(14,661)**	**(5,221)**	**(1,270)**	**(6,491)**	—
Net income (loss) for the year attributable to owners of the parent	(20,907)	(5,221)	(1,270)	(6,491)	—
Net-income attributable to non-controlling interests	6,246			—	—

53. Emoluments to Directors, Statutory Auditors, and managers with strategic responsibility (Continued)

Statement of income	For the year ended December 31, 2010	Related parties	Directors	Total	%
		(in thousands of Euro)			
Revenue for sales and services	773,486	1,572		1,572	0.20%
Income from rental of investment properties	8,115			—	—
Cost of sales	(289,361)			—	—
Gross profit	**492,240**	**1,572**	**—**	**1,572**	**0.32%**
Other income	8,949	20	—	20	0.22%
Style and product development and logistic costs	(27,690)	(421)		(421)	1.52%
Selling and distribution costs	(262,543)	(3,189)		(3,189)	1.21%
Communication and marketing costs	(44,095)	(25)		(25)	0.06%
General and administrative expenses	(66,647)	(2,833)	(1,309)	(4,142)	6.21%
Other operating expenses	(13,777)	(20)		(20)	0.15%
Operating income	**86,437**	**(4,895)**	**(1,309)**	**(6,204)**	—
Financial expenses	(13,923)			—	—
Finacial income	16,324			—	—
Share of profit of associates	477			—	—
Income before income taxes	**89,315**	**(4,895**	**(1,309)**	**(6,204)**	—
Income taxes	(28,514)			—	—
Net income (loss) for the year	**60,801**	**(4,895)**	**(1,309)**	**(6,204)**	—
Net income (loss) for the year attributable to owners of the parent	48,877	(4,895)	(1,309)	(6,204)	—
Net-income attributable to non-controlling interests	11,924			—	—

54. Guarantees, commitments and contingent liabilities

The table below sets forth the guarantees, commitments and contingent liabilities as of December 31, 2008, 2009 and 2010.

	As of December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Sureties by third parties/Group's companies in favour of Group's companies/third parties	23,751	7,885	6,924
Guarantees by third parties in favour of the Group's companies	1,176	1,247	1,441
Guarantees by the Group's companies in favour of third parties	8,818	8,489	8,724
Total	**33,745**	**17,621**	**17,089**

54. Guarantees, commitments and contingent liabilities (Continued)

Sureties provided by third parties in favour of the Group's companies mainly consist of: sureties issued by banks in favour of VAT authorities for reimbursements requested by the Group's Italian companies and sureties in favor of third parties on lease contracts entered into by Group companies.

Guarantees provided by third parties in favour of Group's companies are in relation to lease contracts.

Guarantees provided by Group's companies in favour of third parties include a guarantee for US Dollars 6 million (Euro 4.3 millions, Euro 4.0 millions, Euro 4.5 millions as of December 31, 2008, 2009 and 2010, respectively) related to a lease contract of the Ferragamo USA Group and the remaining part are in favour of banks as guarantees of credit lines used locally.

The Group's other medium and long-term commitments are mainly related to property rental agreements, in particular for the network's stores.

The following table sets forth the details by due date of the future lease payments as of December 31, 2008, 2009 and 2010:

	As of December 31,		
	2008	2009	2010
	(in thousands of Euro)		
Up to 1 year	52,427	62,220	63,712
Between 1 and 5 years	135,285	138,218	147,632
Over 5 years	162,436	154,532	139,422
Total	**350,148**	**354,970**	**350,766**

55. Financial data of subsidiaries

The table below sets forth the main financial data for each subsidiary for the year ended December 31, 2008, 2009 and 2010:

Company	Cur.	2008 Net revenue	2008 Net income (loss)	2008 Shareholders equity	2009 Net revenue	2009 Net income (loss)	2009 Shareholders equity	2010 Net revenue	2010 Net income (loss)	2010 Shareholders equity
		(in currency/000)								
Ferragamo Australia Ltd	AUD	9,313	(948)	6,083	9,864	(186)	5,896	10,268	195	6,090
M Mendrisio Moda SA	CHF	4,714	(220)	2,141	4,159	(438)	1,702	1,193	100	—
Ferragamo Japan KK	JPY	16,504,721	(26,100)	2,911,950	14,090,800	(240,457)	2,671,493	13,864,602	(282,258)	2,389,235
Ferragamo Korea Ltd	KWON	65,176,661	12,140,487	37,362,754	68,578,362	8,066,500	45,429,257	80,142,791	11,467,656	49,756,913
Ferragamo Espana SL	Euro	6,805	(304)	2,650	5,637	(251)	3,052	6,915	(523)	2,528
Ferragamo Latin America Inc	USD	2,856	864	2,015	853	28	2,042	821	(259)	1,783
Ferragamo St. Thomas Inc	USD	557	(256)	(15)	503	(314)	(329)	507	(310)	(639)
Ferrimag Limited	HKD	73,884	(3,330)	128,892	—	28,479	127,185	—	171,615	124,081
Ferragamo Retail HK Ltd	HKD	333,194	35,613	145,115	320,535	17,708	162,823	424,541	49,495	110,918
Ferragamo Retail Taiwan Ltd	TWD	558,327	31,953	225,350	630,896	42,087	267,438	744,552	80,116	304,169
Ferragamo Mexico SL de CV	MXN	237,058	(1,849)	24,855	305,565	20,551	45,405	350,890	28,925	74,343
Ferragamo Retail Nederland BV	Euro	1,670	(625)	(125)	1,639	(427)	73	2,320	(214)	(141)
Ferragamo Fashion Trading Shanghai Ltd	CNY	346,462	66,092	149,284	467,678	84,396	206,368	557,192	91,622	244,624
Ferragamo Singapore	SGD	17,181	1,477	7,787	17,673	(76)	7,711	22,430	(1,492)	6,219
Ferragamo Thailand	THB	78,929	(12,930)	(1,594)	94,976	(14,238)	4,169	107,479	(6,104)	(1,935)
Ferragamo Malaysia	MYR	20,653	1,893	13,865	17,784	810	14,674	19,953	1,627	16,300
Ferragamo HK Ltd	USD	270,542	33,463	74,538	152,709	17,978	92,512	194,035	28,037	120,549
Ferragamo USA Inc	USD	204,600	(4,041)	70,246	176,598	(9,944)	60,352	210,360	(2,993)	57,419
Ferragamo Deutschland GmbH	Euro	5,172	(1,055)	2,246	5,303	(1,127)	2,173	6,806	(47)	3,253
Ferragamo Belgique SA	Euro	1,498	(2)	140	1,329	(46)	702	1,572	144	845
Ferragamo Montecarlo SAM	Euro	1,449	7	9	1,176	(111)	(103)	1,425	93	209
Ferragamo Suisse SA	CHF	7,551	8	781	6,524	(1,228)	(448)	9,595	358	1,713
Ferragamo UK Ltd	GBP	7,748	(459)	2,245	10,269	184	2,429	12,429	1,414	3,843
Ferragamo France SAS	Euro	16,768	(1,381)	8,748	14,875	(2,914)	5,834	18,255	65	3,599
Ferragamo Parfums SpA	Euro	45,677	802	11,446	33,977	(1,970)	9,495	44,926	(864)	8,609
Ferragamo International BV	Euro	130	(18,899)	56,866	106	(51,974)	4,892	44	1,429	—
Ferragamo Chile SA	CLP	414,124	(188,846)	77,293	463,898	(87,254)	760,389	649,766	(145,079)	615,309
Ferragamo Austria GmbH	Euro	2,008	14	798	2,068	53	851	2,530	456	1,307
Ferragamo Parfum SA	CHF	—	1	671	—	(3)	668	—	(37)	632
Ferragamo Retail India Private Ltd	INR	62,105	(30,955)	89,003	219,647	(42,363)	46,641	242,695	(103,120)	(56,479)
Ferragamo Retail Macau Ltd	MOP	—	—	—	2,408	(3,891)	(3,866)	49,486	8,674	4,808
Ferragamo Moda Shangai Ltd	CNY	136,526	4,061	15,541	128,436	(2,698)	12,843	163,826	9,669	22,512
Ferragamo Argentina SA	ARS	1,232	(3,267)	(3,175)	3,142	(2,559)	(1,189)	4,793	(1,235)	(2,424)

56. Subsequent events

In the first months of 2011, there was any negative impact on the economic result for the period due to evaluations done for the purpose of the financial statements for the year ended December 31, 2010 and in particular to changes in exchange rates.

On February 15, 2011 the remaining part of the tax payable has been fully paid for an amount of Euro 10.9 millions plus interests to the Florence Tax Office. In 2009 the debt, connected with the tax assessment notice, was divided into installments following the tax settlement with the Florence Tax Office.

On February 18, 2011 the Board of Directors of the Company resolved to give power to the President and Managing Director to appoint two banks as Global Coordinators, for the purpose of carrying on the project of initial public offering as presented by the Director Mr. F.Caretti.

On February 28, 2011 the Company entered into a contract, with Imaginex Holdings Limited and Imaginex Overseas Limited, to purchase an additional investment of 25% in the companies Ferrimag Limited located in Hong Kong and Ferragamo Moda Shanghai Ltd, and a 15.2% investment in the company Ferragamo Retail Macau Ltd; whose the Company already owns a 50% interests (60% interest in case of Ferragamo Retail Macau).

The transaction will be closed through the purchase of the above investments by the Company or by any identified subsidiary and the closing date has been set as at January 1, 2013, that represents the expiring date for the current distribution agreements of Ferragamo Hong Kong with Ferragamo Moda Shanghai and Ferrimag's subsidiaries. The price, that has been fixed and that will be paid on January 1, 2013, represents the value of the Company as of December 31, 2010.

Additionally as per the contract the distribution agreements will be renewed until December 31, 2019. At the same time Mr. Peter Woo, who owns the Imaginex group, through one of the subsidiaries, entered into a contract for the purchase of shares representing 8% of Salvatore Ferragamo Italia S.p.A. and has been appointed as a member of the Company's Board of Directors.

Salvatore Ferragamo S.p.A. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of March 31, 2010 (unaudited), December 31, 2010 and March 31, 2011 (unaudited)

	As of March 31, 2010	As of December 31, 2010	As of March 31, 2011
	(in thousands of Euro)		
Assets			
Non-current assets			
Property, plant and equipment	107,962	107,636	102,816
Investment property	7,698	7,535	7,015
Intangible assets with definite useful life	14,398	14,888	14,565
Investments in associates and joint ventures	1,190	1,143	1,373
Financial assets available for sale	47	51	49
Other non-current assets	5,428	5,057	4,851
Other non-current financial assets	6,187	6,924	6,987
Derivatives financial instruments	1	2	—
Deferred tax assets	61,918	61,715	61,342
Total non-current assets	**204,829**	**204,951**	**198,998**
Current assets			
Inventories	178,093	182,780	188,610
Trade receivables	57,271	75,377	71,388
Tax receivables	3,605	5,845	12,740
Other current assets	15,322	23,213	28,885
Other current financial assets	707	1,200	1,142
Cash and cash equivalents	96,123	132,895	107,770
Total current assets	**351,121**	**421,310**	**410,535**
Total assets	**555,950**	**626,261**	**609,533**
Shareholders' equity and liabilities			
Share capital	16,841	16,841	16,841
Reserves	132,910	127,352	118,207
Net income for the period attributable to owners of the parent	9,066	48,877	12,099
Total shareholders' equity attributable to owners of the parent	**158,817**	**193,070**	**147,147**
Capital and reserves attributable to non-controlling interests	44,599	35,442	21,057
Net income for the period attributable to non-controlling interests shareholders	1,706	11,924	3,362
Total shareholders' equity attributable to non-controlling interests	**46,305**	**47,366**	**24,419**
Total shareholders' equity	**205,122**	**240,436**	**171,566**
Non-current liabilities			
Provisions for risks and charges	3,862	5,052	4,920
Employees termination indemnities	8,712	9,340	9,187
Other non-current liabilities	41,957	33,536	31,599
Long-term financial liabilities	62	83	39,332
Deferred tax liabilities	7,409	5,863	9,223
Total non-current liabilities	**62,002**	**53,874**	**94,261**
Current liabilities			
Trade payables	86,906	103,607	121,786
Loans and borrowings	151,393	150,796	115,866
Income taxes payables	14,521	27,210	15,244
Other current liabilities	35,411	48,971	89,580
Other current financial liabilities	595	1,367	1,230
Total current liabilities	**288,826**	**331,951**	**343,706**
Total liabilities	**350,828**	**385,825**	**437,967**
Total shareholders' equity and liabilities	**555,950**	**626,261**	**609,533**

Salvatore Ferragamo S.p.A. and Subsidiaries

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three-months period ended March 31, 2011 and 2010

	For the three months period ended March 31,	
	2010	2011
	(in thousands of Euro)	
Revenue		
Revenue from sales and services	162,806	208,512
Income from rental of investment properties	2,141	1,839
Total revenue	**164,947**	**210.351**
Cost of sales	(62,300)	(80,464)
Gross profit	**102,647**	**129,887**
Style, product development and logistic costs	(6,402)	(7,411)
Selling and distribution costs	(57,076)	(66,141)
Communication and marketing costs	(10,648)	(13,509)
General and administrative expenses	(14,810)	(19,527)
Other operating expenses	(2,005)	(4,267)
Other operating income	1,504	1,997
Operating income	**13,210**	**21,029**
Financial expenses	(5,624)	(6,491)
Financial income	7,620	1,446
Share of profit of associates	99	229
Income before income taxes	**15,305**	**16,213**
Income taxes	(4,533)	(752)
Net income for the period	**10,772**	**15,461**
Net income for the period attributable to owners of the parent	9,066	12,099
Net-income attributable to non-controlling interests shareholders	1,706	3,362

	For the three months period ended March 31,	
	2010	2011
	(Euro)	
Basic and diluted earnings per share		
Of which:		
Ordinary shares	0.051	0.069
Preferred shares	0.056	0.074

Salvatore Ferragamo S.p.A. and Subsidiaries

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-months period ended March 31, 2011 and 2010

	For the three months period ended March, 31	
	2010	**2011**
	(in thousands of Euro)	
Net income for the period	**10,772**	**15,461**
Exchange differences on translating foreign operations	15,565	(13,783)
Profit (loss) from fair value adjustments related to hedging instruments	(14,781)	18,820
Tax effect	4,065	(5,175)
Actuarial gains and losses on defined benefit plans	80	(48)
Tax effect	(22)	13
	4,907	(173)
Total net comprehensive income for the period	**15,679**	**15,288**
Attributable to owners of the parent	10,322	13,672
Attributable to non-controlling interests shareholders	5,357	1,616

Salvatore Ferragamo S.p.A. and Subsidiaries

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three-months period ended March 31, 2010 and 2011

	For the three months period ended March 31,	
	2010	2011
	(in thousands of Euro)	
Net income for the period	**10,772**	**15,461**
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,562	6,318
Deferred taxes	(205)	(2,920)
Tax refund	—	(5,575)
Provision for employees termination indemnities	752	811
Provision for inventory obsolescence	2,109	1,767
Provision for doubtful accounts	323	428
(Gain) loss on disposal of property, plant and equipment and investment property	—	(1)
Share of profit of associates	(99)	(229)
Other non cash items	131	—
Changes in operating assets and liabilities:		
Trade receivables	1,244	3,604
Inventories	(7,767)	(17,591)
Trade payables	9,043	18,813
Tax receivables	1,866	(1,468)
Income tax payables	(2,718)	(11,354)
Payment of employees termination indemnities	(1,252)	(867)
Others	11,941	11,283
NET CASH PROVIDED BY OPERATING ACTIVITIES	**32,702**	**18,480**
Cash flow from investing activities:		
Additions to property, plant and equipment	(2,291)	(4,273)
Additions to intangible assets	(849)	(838)
Net increase/decrease in other non-current asset and liabilities	(139)	(321)
Proceeds from disposal of property, plant and equipment and intangible assets	2	6
NET CASH USED IN INVESTING ACTIVITIES	**(3,277)**	**(5,426)**
Cash flow from financing activities:		
Net decrease in financial asset	1,064	2,021
Net increase in financial liabilities	(16,709)	(29,932)
Payment of dividends to non-controlling interests shareholders	—	(3,980)
Purchase of non-controlling interests in companies fully consolidated	(68)	—
Other increase/decrease in Group shareholders' equity	31	(64)
NET CASH USED IN FINANCING ACTIVITIES	**(15,682)**	**(31,955)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**76,999**	**132,469**
Net increase/(decrease) of cash and cash equivalents	13,743	(18,901)
Effect of exchange rates on cash and cash equivalents	4,979	(6,157)
CASH AND CASH EQUIVALENT AT END OF PERIOD	**95,721**	**107,411**
Additional information:		
Interest paid	560	580
Income tax paid	3,040	10,453
Interest received	60	171

Salvatore Ferragamo S.p.A. and Subsidiaries

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

For the three-months period ended March 31, 2010 and 2011

	Share Capital	Paid in Capital	Legal Reserve	Extraordinary reserve	Cash flow hedge reserve	Reserve for exchange differences on translating foreign operations	Retained earnings	Other reserves	IAS 19 Equity effect	IAS 28 (Common Control) Equity effect	Net income (loss) for the period	Total shareholders' equity attributable to owners of the parent	Total shareholders' equity attributable to non-controlling interests	Total shareholders' equity
	(in thousands of Euro)													
Balance as of January 1, 2010	**16,841**	**2,995**	**4,188**	**24,643**	**5,378**	**(45,847)**	**151,566**	**14,540**	**(895)**	**(5,924)**	**(20,907)**	**146,578**	**46,733**	**193,311**
Allocation of prior periods result	—	—	—	—	—	—	(20,907)	—	—	—	20,907	—	—	—
Net income for the period		—	—	—	—	—	—	—	—	—	9,066	9,066	1,706	10,772
Other components of the Statements of comprehensive income	—	—	—	—	(10,716)	11,881	33	—	58	—	—	1,256	3,651	4,907
Net comprehensive income (loss) for the period	**—**	**—**	**—**	**—**	**(10,716)**	**11,881**	**33**	**—**	**58**	**—**	**9.066**	**10,322**	**5,357**	**15,679**
Changes in the consolidation area	—	—	—	—	—	144	1,867	(94)	—	—	—	1,917	(5,785)	(3,868)
Balance as of March 31, 2010	**16,841**	**2,995**	**4,188**	**24,643**	**(5,338)**	**(33,822)**	**132,559**	**14,446**	**(837)**	**5,924**	**9,066**	**158,817**	**46,305**	**205,122**

Salvatore Ferragamo S.p.A. and Subsidiaries

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

For the three-months period ended March 31, 2010 and 2011 (Continued)

	Share Capital	Paid in Capital	Legal Reserve	Extraordinary reserve	Cash flow hedge reserve	Reserve for exchange differences on translating foreign operations	Retained earnings	Other reserves	IAS 19 Equity effect	IAS 28 (Common Control) Equity effect	Net income (loss) for the period	Total shareholders' equity attributable to owners of the parent	Total shareholders' equity attributable to non-controlling interests	Total shareholders' equity
							(in thousands of Euro)							
Balance as of January 1, 2011	**16,841**	**2,995**	**4,188**	**31,933**	**(2,266)**	**(27,288)**	**110,303**	**14,446**	**(1,035)**	**(5,924)**	**48,877**	**193,070**	**47,366**	**240,436**
Allocation of prior period result	—	—	—	28,768	—	—	20,109	—	—	—	(48,877)	—	—	—
Net income for the period	—	—	—	—	—	—	—	—	—	—	12,099	12,099	3,362	15,461
Other components of the Statements of comprehensive income	—	—	—	—	13,645	(11,973)	(64)	—	(35)	—	—	1,573	(1,746)	(173)
Net comprehensive income (loss) for the period	**—**	**—**	**—**	**—**	**13,645**	**(11,973)**	**(64)**	**—**	**(35)**	**—**	**12,099**	**13,672**	**1,616**	**15,288**
Dividends declared	—	—	—	(24,015)	—	—						(24,015)	(20,928)	(44,943)
Purchase of non-controlling interests in fully consolidated companies and put and call options on non-controlling interests	—	—	—	—	—	(336)	(35,221)	(23)	—	—	—	(35,580)	(3,635)	(39,215)
Balance as of March 31, 2011	**16,841**	**2,995**	**4,188**	**36,686**	**11,379**	**(39,597)**	**95,127**	**14,423**	**(1,070)**	**5,924**	**12,099**	**147,147**	**24,419**	**171,566**

Salvatore Ferragamo S.p.A. and Subsidiaries

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2011

1. Basis of presentation

The interim consolidated financial statements include the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of shareholders' equity and the accompanying explicatory notes of the company Salvatore Ferragamo S.p.A. and all its Italian and foreign subsidiaries (together with the Company, "the Group") as of March 31, 2010 and 2011.

Declaration of conformity to the international accounting principles IFRS

The consolidated interim financial statements for the three month periods ended on March 31, 2010 and 2011 have been prepared in accordance with the International Accounting Principle related to the interim reports (IAS 34 Interim Financial Statements) solely for the purposes of their inclusion in the Italian Listing Prospectus for the admission of the ordinary shares of the Company to the Italian stock exchange and in the Offering Circular.

The interim financial statements does not include all the information requested in the annual financial statements and, as a consequence, it needs to be read together with the consolidated financial statement of the group for the year ended on December 31, 2010.

2. Consolidation

The interim consolidated financial statements as of March 31, 2010 and 2011 include the interim financial statements for the three month periods ended on March 31, 2010 and 2011 of the group companies prepared in accordance with the accounting principles adopted by the parent company.

The consolidated financial statements include the financial statements of the Company and the companies in which it holds a controlling interest, from the date control over such subsidiaries begins until the date that control ceases.

All intra-Group balances and transactions, including unrealized profits arising from intra-Group transactions, are eliminated in full.

The acquisition of majority investments from third parties are accounted for by the purchase method of accounting, which involves the allocation of the purchase price paid for the acquisition over the fair value of the identifiable tangible and intangible assets acquired, less liabilities assumed at the acquisition date, and the inclusion of the acquired company result at the acquisition date up till year end.

Changes in group's interests that do not involve the loss of control are accounted for as equity transactions.

As a consequence of the coming into force of the IAS 27 (amended) since January 1, 2010, as soon as the group loses the control on a subsidiary:

- Assets (including goodwill) and liabilities of the controlled entity are eliminated;
- Minority interests in the former controlled entity are eliminated;
- Cumulated exchange rate differences accounted for in the statements of comprehensive income are eliminated;
- The fair value of the proceeds is booked;
- Any minority interest held in the former controlled entity is booked based on its fair value;
- Gain or losses are booked in statement of income;
- The amounts initially classified into the statements of comprehensive income are reclassified into the statement of income or as gain/(losses) brought forward, as appropriate.

2. Consolidation (Continued)

Minority interests represent the portion of net gains or losses not belonging to the Group and are shown in a separate line of the Statements of Income and in the Balance Sheet within Minority Interest, separately from the Parent's Shareholders Equity.

The companies included in the consolidation area as of March 31, 2011 are listed below:

Company name	Location	Currency	Share Capital	Controlling interest Direct	Controlling interest Indirect	Notes
Salvatore Ferragamo Italia S.p.A.	Florence	Euro	16,841,000		Parent Company	
Ferragamo Retail Nederland B.V.	Amsterdam	Euro	500,000	100%		
Ferragamo France SAS	Paris	Euro	4,334,094	100%		
Ferragamo Deutschland GmbH	Munich	Euro	3,300,000	100%		
Ferragamo Austria GmbH	Vienna	Euro	1,853,158	100%		
Ferragamo U K Ltd.	London	Gbp	6,172,735	100%		
Ferragamo Suisse SA	Mendrisio	Chf	1,000,000	100%		
Ferragamo Belgique SA	Bruxelles	Euro	750,000	100%		
Ferragamo Monte-Carlo S.A.M.	Monte-Carlo	Euro	304,000	100%		
Ferragamo Espana S.L.	Madrid	Euro	4,600,000	100%		
Ferragamo USA Inc.	New York	Usd	74,011,969	100%		
SF Licensing Corporation	Wilmington, DE	Usd	1,000		100%	
Ferragamo Canada Inc	Vancouver	Cad	430,000		100%	
S-Fer International inc	New York	Usd	4,600,000		100%	
Sator Realty Inc	New York	Usd	100,000		100%	
Ferragamo Parfums Usa Inc.	New York	Usd	200,000		100%	
Ferragamo Latin America Inc.	Miami	Usd	300,000	100%		
Ferragamo St. Thomas Inc.	St Thomas USVI	Usd	301,000		100%	
Ferragamo Mexico S. de R.L. de C.V.	Mexico City	Mxn	4,592,700	99.73%	0.27%	
Ferragamo Chile SA	Santiago,Chile	Clp	1,471,169,399	99%	1%	
Ferragamo Argentina SA	Buenos Aires	Ars	6,174,750	95%	5%	
Ferragamo Hong Kong Ltd.	Hong Kong	Hkd	10,000	100%		
Ferragamo Japan KK	Tokyo	Yen	305,700,000	71%		
Ferragamo Australia PTY Ltd.	Sidney	Aud	10,536,004	100%		
Ferrimag Limited	Hong Kong	Hkd	109,200,000		50%	
Ferragamo Fashion Trading (Shanghai) Co. Ltd	Shanghai, PRC	Usd	200,000		50%	
Ferragamo Moda (Shanghai) Co. Ltd	Shanghai, PRC	Usd	1,400,000	50%		
Ferragamo Retail HK Limited	Hong Kong	Hkd	39,000,000		50%	
Ferragamo Retail Taiwan Limited	Taipei	Twd	136,250,000		50%	
Ferragamo Retail India Private Limited	New Delhi	Inr	150,000,000	51%		
Ferragamo Korea Limited	Seoul	Kwon	3,291,200,000	50%		
Ferragamo (Singapore) Pte. Ltd.	Singapore	Sgd	4,600,000	50%		
Ferragamo (Thailand) Limited	Bangkok	Thb	45,000,000	50%		
Ferragamo (Malaysia) Sdn Bhd	Kuala Lumpur	Myr	1,300,000	50%		
Ferragamo Retail Macau Limited	Macau	Mop	25,000	60%		
Ferragamo Parfums SpA	Firenze	Euro	10,000,000	100%		
Ferragamo Parfums SA	Neuchatel	Chf	250,000	100%		

(1) Through Ferragamo USA Inc.

(2) Through Ferragamo Hong Kong Ltd.

(3) Through Ferrimag Ltd.

(4) Through Ferragamo Latin America Inc.

(5) Inactive company.

(6) The controlling interest in Ferragamo Retail India Private Ltd relates to the legal quota. Due to the call option on non-controlling interests, that transfers all significant risks and rewards to the company Salvatore Ferragamo Italia S.pA., the non-controlling interests have been eliminated from the shareholders' equity.

2. Consolidation (Continued)

(7) the interest in Ferragamo Japan KK relates to the legal quota. Due to the put option granted to non-controlling interests the non-controlling interests have been eliminated from the shareholders' equity.

The only one jointly controlled company consolidated using the net equity method is the following:

				Controlling interest		
Company name	**Location**	**Currency**	**Share Capital**	**Direct**	**Indirect**	**Notes**
Zefer S.p.A.	Sesto Fiorentino	Euro	500,000	50%		

During the three month period ended March 31, 2011 there was no change in the Group's consolidation area.

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

The consolidated financial statements are presented in Euros, which is the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the spot rate of exchange ruling at the reporting date.

All exchange differences are booked in the statement of income.

Non-monetary items, valued at historical cost in a foreign currency, are translated using the exchange rates in effect at the initial transaction dates.

Translation differences are recorded directly in shareholders' equity and disclosed in a separate reserve therein. On disposal of the investment in the foreign company, the cumulative translation differences recorded in net equity relative to that particular foreign company are recorded in the statement of income.

2. Consolidation (Continued)

The exchange rates used for the determination of the counter value in Euros of the subsidiaries financial statements expressed in foreign currency are shown below:

	Average Exchange rate for the period ended			Year end Exchange rate as of		
	March 31, 2010	December 31, 2010	March 31, 2011	March 31, 2010	December 31, 2010	March 31, 2011
U.S. Dollar	1.38291	1.32576	1.36799	1.34790	1.33620	1.4207
Swiss Franc	1.46321	1.38055	1.28714	1.42760	1.25040	1.3005
Japanese Yen	125.48468	116.27109	112.57027	125.92999	108.64995	117.6100
Pound Sterling	0.88760	0.85789	0.853860	0.88980	0.86075	0.8837
Australian Dollar	1.52929	1.44230	1.36135	1.47410	1.31360	1.3736
Korean Won	1,581.40	1,531.63	1,530.78	1,525.11	1,499.07	1,554.51
Hong Kong Dollar	10.73641	10.29970	10.6535	10.46530	10.38560	11.0559
Mexican Pesos	17.65552	16.73571	16.5007	16.65730	16.54750	16.9276
Taiwan Dollar	44.11556	41.75663	40.0773	42.86999	38.89000	41.67000
Singapore Dollar	1.93950	1.80564	1.74671	1.88620	1.71360	1.7902
Thai Baht	45.47216	42.01852	41.7712	43.59800	40.17000	42.9760
Malaysian Ringgit	4.65903	4.26682	4.16676	4.39680	4.09500	4.2983
Indian Rupee	63.47957	60.58396	61.92552	60.51401	59.75800	63.34498
Macao Patacas	11.04871	10.60231	10.96364	10.78010	10.70190	11.35860
Chinese Renminbi	9.44174	8.97185	9.00285	9.20060	8.82200	9.30360
Chilean Pesos	717.2418	675.2286	658.857	708.32064	625.07813	681.910
Argentinean Pesos	5.30622	5.18319	5.48749	5.22334	5.30457	5.73814

The translation into Euro of the financial statements of consolidated foreign subsidiaries is carried out using the current exchange rate method, whereby the statement of financial position items are translated using the exchange rates in force at the reporting date and the income statement is translated using the average exchange rate for the year. The exchange differences arisen from the translation are recorded into the Statement of comprehensive income.

On disposal of the investment in the foreign company, the cumulative translation differences recorded in the statement of comprehensive income and related to that particular foreign company are recorded in the statement of income.

Any goodwill and any fair value adjustment arising from the acquisition of a foreign entity, subsequent to the IFRS transition date, and any fair value adjustment of assets and liabilities coming from the acquisition of that entity are considered to be assets and liabilities of that foreign entity. Therefore they are expressed in the entity's functional currency and converted at closing rate.

3. Accounting policies

Estimates and assumptions have been maintained compliant with the annual financial statements. In addition, the interim period is subject to seasonality that is reflected in the sales trend.

The accounting principles used by the company in order to prepare the interim consolidated financial statements for the three month periods ended March 31, 2010 and 2011 are consistent with the accounting principles adopted for the consolidated financial statements as of December 31, 2010, with the exception of new or amended principles issued by International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), which could be applied for the years starting on January 1, 2011 as described below.

The effects from adopting the above principles and interpretation were not significant with respect to the net financial position and the net result of the Company.

3. Accounting policies (Continued)

Changes in accounting principles, new accounting principles, changes in estimates and reclassifications

IAS 24: related party disclosures

Amendments introduced by the revised IAS 24 aimed to simplify the definition of related party and to ensure a more consistent identification of the related parties. The amendment is applicable starting from January 1, 2011.

Amendments to IAS 32: Presentation—Classification of Rights issues (Amendment)

The amendment will provide relief to entities that issue rights (fixed in a currency other than their functional currency) and that treat the rights as derivatives with fair value changes recorded in profit or loss. Rights issued in foreign currencies that were previously accounted for as derivatives will now be classified as equity instruments, in case specific conditions are met.

This amendment is applied retrospectively, starting from January 1, 2011.

IFRIC 14: Prepayments of a minimum funding requirement (Amendment)

The amendment permits an entity to treat the prepayment of a minimum funding requirement as an assets.

This amendment is effective for annual periods beginning on or after January 1, 2011.

IFRIC 19: Extinguishing financial liabilities with equity instruments

The amendment gives clarification related to the extinction of a financial liability through the issue of equity instruments. If the entity agrees the condition to extinguish a financial liability and the creditor accept to receive equity instruments, the equity instruments issued have to be considered as part of the price paid to extinguish the financial liability and have to be measured at fair value; any gain or loss is recognized immediately in profit or loss.

This amendment is effective for annual periods beginning on or after January 1, 2010.

Improvements to IFRS (issued May 2010)

In May 2010 the IASB ha issued some Improvements to IFRS, which are a series of amendments to the standards. The amendments are effective for annual periods beginning on or after January 2011.

- *IFRS 3—Business combination*

  The amendment limits the scope of the measurement choices that only the components of non controlling interest (NCI) that are present ownership interests which entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instrument's proportionate share of the acquiree's identifiable net asset. Other component of NCI are measured at their acquisition date fair value.

- *IFRS 7—Financial instrument disclosure*

  The amendment wants to simplify the disclosure related to collateral securities as also to improve the disclosure including qualitative information together with quantitative information.

- *IAS 1—Presentation of financial statements*

  The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the Statements of Comprehensive Income or in the notes to the financial statements.

3. Accounting policies (Continued)

- *IAS 34—Interim financial reporting*

  The amendment requires additional information on fair value and changes in classification of financial assets, as also on changes in contingent liabilities and assets in the interim financial reporting.

Other amendments related to improvement to the following IFRS have not had any impact on the accounting policies, the net financial position and the net result of the company:

- IFRS 3—Business combination (contingent consideration from a business combination that occurred before the effective date of the revised IFRS 3 (2008) and un-replaced and voluntarily replaced share-based payment awards.
- IAS 27—Consolidated and separate financial statements.
- IFRIC 13—Customers loyalty programs.

4. Business combination and acquisition of non controlling interests

No business combination have occurred in the period ended March 31, 2011.

The following paragraph summaries the acquisition of non controlling interests occurred during the period ended March 31, 2011.

Ferrimag Limited(25%)—Ferragamo Moda Shanghai Co. Limited (25%)—Ferragamo Retail Macau Limited (15.2%)

As regards the investment in the controlled entity Ferrimag Limited—Ferragamo Moda Shangai Co. Limited—Ferragamo Retail Macau Limited, the group has amended the agreements existing with the local partner (Imaginex Holding Limited and Imaginex Overseas Limited) on February 28, 2011 undersigning new agreements based on which Ferragamo Group is entitled to acquire additional shares of Ferrimag Limited and Ferragamo Moda Shangai as also of Ferragamo Retail Macau, on top of the 25% capital share already held of Ferrimag Limited and Ferragamo Moda Shangai and on top of the 15,2% capital share already held of Retail Macau, at a price agreed (Euro 41,235,000) that has to be paid on January 1, 2013.

Due to the acquisition of minority interests at a price agreed, group has recognized the related actualized financial liability through reclassification from Equity.

This transaction has determined the following effects at the initial recording date: elimination of minority interests from Equity of Euro 3,956 thousand, accounting for a negative reserve for equity transaction of Euro 35,259 thousand and accounting for an actualized financial liability of Euro 39,215 thousand. The financial liability of Euro 39,309 thousand as of March 31, 2011 includes actuarial losses accrued during the period of Euro 94 thousand.

In addition, the agreement signed provides for contractual condition that grants the minority shareholders the right to receive dividends on profits and distributable reserves brought forward as of December 31, 2010 and those accrued up till December 31, 2012. Group has allocated to the minority shareholders the net result of the quarter.

5. Property, plant and equipment

The following table sets forth the historical cost, the accumulated depreciation and the net book value of property, plant and equipment as of March 31, 2010 and as of March 31, 2011:

	As of March 31, 2010		
	Historical Cost	Cumulated depreciation	Net book value
	(in thousands of Euro)		
Land	18,645	—	18,645
Buildings	38,359	12,973	25,386
Plant and machinery	14,208	11,168	3,040
Industrial and commercial equipments	78,094	50,419	27,675
Other assets	30,224	24,106	6,118
Improvements on third party assets	69,770	45,082	24,688
Work in progress and advances	2,410	—	2,410
Property, plant and equipment	**251,710**	**143,748**	**107,962**

	As of March 31, 2011		
	Historical Cost	Cumulated depreciation	Net book value
	(in thousands of Euro)		
Land	18,358	—	18,358
Buildings	37,943	13,769	24,174
Plant and machinery	14,979	11,984	2,995
Industrial and commercial equipments	72,545	47,653	24,892
Other assets	33,508	25,509	7,999
Improvements on third party assets	83,939	61,041	22,898
Work in progress and advances	1,500	—	1,500
Property, plant and equipment	**262,772**	**159,956**	**102,816**

5. Property, plant and equipment (Continued)

The tables below set forth the changes in property plant and equipments for the three-month periods ended March 31, 2010 and March 31, 2011:

	For the three months period ended March 31, 2010						
	Net book value as of Jan. 1, 2010	Translation difference	Additions	Disposals	Depreciation	Reclassification	Net book value as of March 31, 2010
	(in thousands of Euro)						
Land	17,870	775	—	—	—	—	18,645
Buildings	25,009	727	6	—	356	—	25,386
Plant and machinery	3,077	7	166	—	210	—	3,040
Industrial and commercial equipments	28,309	1,354	352	(2)	2,338	—	27,675
Other assets	6,350	375	152	(1)	761	3	6,118
Improvements on third party assets	24,807	1,589	396	—	2,101	(3)	24,688
Work in progress and advances	1,049	149	1,647	(435)	—	—	2,410
Total	**106,471**	**4,976**	**2,719**	**(438)**	**5,766**	**—**	**107,962**

	For the three months period ended March 31, 2011						
	Net book value as of January 1, 2011	Translation difference	Additions	Disposals	Depreciation	Reclassification	Net book value as of March 31, 2011
	(in thousands of Euro)						
Land	18,790	(432)	—	—	—	—	18,358
Buildings	25,014	(552)	35	—	323	—	24,174
Plant and machinery	3,114	(7)	118	—	230	—	2,995
Industrial and commercial equipments	27,114	(1,038)	962	(1)	2,115	(30)	24,892
Other assets	7,553	(224)	1,494	—	830	6	7,999
Improvements on third party assets	24,776	(1,372)	1,411	—	1,917	—	22,898
Work in progress and advances	1,275	(28)	1,901	(1,648)	—	—	1,500
Total	**107,636**	**(3,653)**	**5,921**	**(1,649)**	**5,415**	**(24)**	**102,816**

The plant's additions refer to additions made in the Osmannoro-Sesto Fiorentino plant as also in the company-owned premises located in USA.

The industrial and commercial equipment additions refer to the opening and refurbishments of stores (Euro 914 thousand), and moulds (Euro 48 thousand) for the perfume items.

Additions of other equipment mainly refer to IT equipment (Euro 549 thousand) and furniture and fittings (Euro 687 thousand).

Improvements on leasehold assets principally refer to the opening and refurbishments of stores.

6. Investment property

The following table sets forth the historical cost, the accumulated depreciation and the net book value of investment property as of March 31, 2010 and as of March 31, 2011:

	As of March 31, 2010			As of March 31,		
	Historical cost	Accum. depreciation	Net book value	Historical cost	Accum. Depreciation	Net book value
	(in thousands of Euro)					
Land	4,153	—	4,153	3,940	—	3,940
Buildings	9,780	6,235	3,545	9,279	6,204	3,075
Total	**13,933**	**6,235**	**7,698**	**13,219**	**6,204**	**7,015**

Investment property refers entirely to the buildings and land located in the United States. Their residual useful life as of March 31, 2011 has been assessed to be around 30 years.

The tables below set forth the changes in investment property for the three-month periods ended March 31, 2010 and March 31, 2011:

	For the three months period ended March 31, 2010				
	Net book value as of January 1, 2010	Translation difference	Additions	Depreciation	Net book value as of March 31, 2010
	(in thousands of Euro)				
Land	3,885	268	—	—	4,153
Buildings	3,382	231	7	75	3,545
Total	**7,267**	**499**	**7**	**75**	**7,698**

	For the three months period ended March 31, 2011				
	Net book value as of Jan. 1 , 2011	Translation difference	Additions	Depreciation	Net book value as of March 31, 2011
	(in thousands of Euro)				
Land	4,189	(249)	—	—	3,940
Buildings	3,346	(196)	—	75	3,075
Total	**7,535**	**(445)**	**—**	**75**	**7,015**

7. Intangible assets with definitive useful lives

The following table sets forth the breakdown of the intangible assets with definitive useful lives as of March 31, 2010 and as of March 31, 2011:

	As of March 31, 2010		
	Historical cost	Accumulated amortization	Net book value
	(in thousands of Euro)		
Industrial patents and intellectual property rights	11,426	10,010	1,416
Concessions, licenses and trademarks	6,466	4,909	1,557
Other assets with definite useful life	22,729	12,742	9,987
Work in progress	1,438	—	1,438
Total	**42,059**	**27,661**	**14,398**

7. Intangible assets with definitive useful lives (Continued)

	As of March 31, 2011		
	Historical cost	Accumulated amortization	Net book value
	(in thousands of Euro)		
Industrial patents and intellectual property rights	12,619	11,091	1,528
Concessions, licenses and trademarks	6,771	5,249	1,522
Other assets with definite useful life	24,004	14,513	9,491
Work in progress	2,024	—	2,024
Total	**45,418**	**30,853**	**14,565**

The tables below set forth the changes in intangible assets with definite useful life for the three-month periods ended March 31, 2010 and March 31, 2011:

	For the three months period ended March 31, 2010						
	Net book value as of Jan 1, 2010	Translation difference	Additions	Disposals	Amortization	Reclassifications	Net book value as of March 31, 2010
	(in thousands of Euro)						
Industrial patents and intellectual property rights	1,126	33	13	0	217	461	1,416
Concessions, licenses and trademarks	1,521	—	117	—	81	—	1,557
Other assets with definite useful life	9,866	420	585	—	423	(461)	9,987
Work in progress	1,304	1	404	(271)	—	—	1,438
Total	**13,817**	**454**	**1,119**	**(271)**	**721**	**—**	**14,398**

	For the three months period ended March 31, 2011						
	Net book value as of Jan 1, 2011	Translation difference	Additions	Disposals	Amortization	Reclassifications	Net book value as of March 31, 2011
	(in thousands of Euro)						
Industrial patents and intellectual property rights	1,691	(42)	113	0	258	24	1,528
Concessions, licenses and trademarks	1,496	—	100	—	74	—	1,522
Other assets with definite useful life	9,830	(313)	470	—	496	—	9,491
Work in progress	1,871	(2)	642	(487)	—	—	2,024
Total	**14,888**	**(357)**	**1,325**	**(487)**	**828**	**24**	**14,565**

Other intangible assets mainly refer to the amount 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 (key-money). The item also includes software development costs related to the capitalization of expenses (mainly IT consultancy) for the development of business software applications (SAP accounting system, ERP production system, reporting systems, e-commerce platform which started the sales during 2009).

7. Intangible assets with definitive useful lives (Continued)

The following table sets forth the net book value and the breakdown by geographical area of the key money as of December 31, 2010 and March 31, 2011:

	As of December 31, 2010	As of March 31, 2011
	(in thousands of Euro)	
Europe (excluding Italy)	2,134	1,979
North America	3,165	3,002
Asia and Pacific	862	782
Total	**6,161**	**5,763**

8. Goodwill and other intangible assets with indefinite useful life

As of March 31, 2011 the Group does not have in its financial position any goodwill and other intangible assets with indefinite useful life.

9. Investments in associates and joint ventures

On September 29, 2006 the Group acquired 50% ownership interest in Zefer S.p.A., a 50% joint-venture with the Zegna group, aimed to the production of footwear and leather goods, using the consultancy and technical support provided by the Company. The company has been accounted for using the equity method starting from the acquisition date.

As of December 31, 2010the net book value of this investment amounts to Euro 1,143 thousand, while as of March 31, 2011 it amounted to Euro 1,373 thousand and as of March 31, 2010 it amounted to Euro 1,190 thousand.

10. Financial assets available for sale

The tables below set forth the breakdown and changes in financial assets available for sale as of and for the three months period ended, March 31, 2010 and March 31, 2011:

		For the three months period ended March 31, 2010			
	Percentage of investment	Book value as of Jan. 1, 2010	Translation Difference	Disposal	Book value as of March 31, 2010
			(in thousands of Euro)		
Polimoda Consulting srl	0.82%	20	—	—	20
Fondo Amphora	2.8%	26	1	(27)	—
Other assets		25	2	—	27
Total		**71**	**3**	**(27)**	**47**

		For the three months period ended March 31, 2011			
	Percentage of investment	Book value as of Jan. 1, 2011	Translation Difference	Disposal	Book value as of March 31, 2011
			(in thousands of Euro)		
Polimoda Consulting srl	0.82%	20	—	—	20
Other assets		31	(2)	—	29
Total		**51**	**(2)**	**—**	**49**

11. Other non-current assets

The following table sets forth the breakdown of the other non-current assets as of December 31, 2010 and as of March 31, 2011:

	As of December 31, 2010	As of March 31, 2011
	(in thousands of Euro)	
Advances to supplier	1,250	1,250
Other non-current assets	3,807	3,601
Total	**5,057**	**4,851**

Advances to suppliers relate to royalties paid by Ferragamo Parfums S.p.A. to the Ungaro perfumes brand owner, in accordance with the license agreement signed in November 2005 and subsequent amended at the beginning of 2011. Those advanced payments will be compensated with the royalties accrued starting from January 1, 2012.

The item Other non-current assets includes Euro 3,277 thousand, which refer to the rental income received from the investment property located in USA and reversed to profit & loss on a straight line basis, as provided by the accounting principle applied in this circumstance.

12. Other non-current financial assets

The following table sets forth the breakdown of the other non-current financial assets as of December 31, 2010 and as of March 31, 2011:

	As of December 31, 2010	As of March 31, 2011
	(in thousands of Euro)	
Guarantees deposits	6,769	6,680
Other receivables for long term hedge derivatives	155	307
Total	**6,924**	**6,987**

Guarantee deposits from third parties refer to guarantee deposits for existing rental contracts and are accounted for at amortized cost. The item Other receivables for long term hedge derivatives relates to the fair value assessment of hedge derivatives (forward contracts) entered into by the Company to manage the exchange rate risk and expiring over 12 months.

13. Inventories

The following table sets forth the breakdown of the inventories as of March 31, 2010 and December 31, 2011:

	As of December 31, 2010	As of March 31, 2011
	(in thousands of Euro)	
Raw materials, accessories and consumables	32,351	46,997
Provision for obsolete inventory	(4,795)	(4,534)
Raw materials, accessories and consumables	27,556	42,463
Finished products and goods to resale	172,484	164,757
Provision for obsolete inventory	(17,260)	(18,610)
Finished products and goods to resale	155,224	146,147
Total	**182,780**	**188,610**

As of March 31, 2011 raw material increased compared with December 31, 2010 due to the higher level of production as consequence of the increase in the volume of sales; the obsolescence provision reflects the obsolescence of raw material (leather goods and accessories) that are no longer in line with the production plan of the business.

The finished goods decrease has been principally determined by the exchange rate effect of the period, euro appreciation in comparison with other foreign currencies, in particular Japanese Yen and US Dollar.

The net change, excluding the exchange rate effect, has been equal to an increase of Euro 918 thousand (the average effect has been a negative effect of Euro 9,995 thousand, in particular Japanese Yen and US Dollar).

The following table sets forth the provision for obsolete inventory made for the three months periods ended March 31, 2010 and 2011:

	For the three months period ended March 31,	
	2010	2011
	(in thousands of Euro)	
Raw materials	535	(261)
Finished products	1,574	2,028
Total	**2,109**	**1,767**

14. Trade Receivables

The following table sets forth the breakdown of the trade receivables as of December 31, 2010 and as of March 31, 2011:

	As of December 31, 2010	As of March 31, 2011
	(in thousands of Euro)	
Trade receivables from third parties	78,970	73,016
Provision for bad debt	(3,628)	(4,011)
Trade receivables from related parties	35	424
Trade receivables from associates	—	1,959
Total	**75,377**	**71,388**

14. Trade Receivables (Continued)

For the terms and conditions on receivables from related parties please refer to the Section "Transactions with related parties".

As of March 31, 2011 trade receivables relate Fragrances business amount to Euro 14,070 thousand, the remaining part relates to the other businesses, mainly the wholesale sales.

Trade receivables are non-interest bearing and become due in less than 90 days. The related provision for bad debt is considered adequate to meet any cases of insolvency.

Trade receivables toward entities in joint venture refer to Zefer S.p.A. for the consultancy/technical assistance services provided. As of December 31, 2010 those positions were classified into the "Other receivables" line.

The tables below set forth the changes in provision for bad debt for the three-month period ended March 31, 2011:

	For the three months ended March 31, 2011				
	Book value as of January 1, 2011	Translation difference	Addition	Reversal	Book value as of March 31, 2011
	(in thousands of Euro)				
Total	**3,628**	**(14)**	**397**	**—**	**4,011**

15. Tax receivables

The following table sets forth the breakdown of the tax receivables as of December 31, 2010 and as of March 31, 2011:

	As of December 31, 2010	As of March 31, 2011
	(in thousands of Euro)	
Due from tax authorities for VAT and other taxes	4,151	9,707
Due from tax authorities for income taxes	1,691	3,013
Advances withholding taxes	3	20
Total	**5,845**	**12,740**

The tax receivables increase, principally related to other taxes, has been due to the fact that in March 2011 the company has registered an amount of Euro 5,575 thousand into the books. This receivable refer to the request of reimbursement claimed to the Italian Tax Authority for taxes paid in Holland by Ferragamo International BV, in accordance with the agreement signed on October 9, 2009 in order to solve the fiscal dispute and eliminate the double-taxation on a one-side basis by Italy.

16. Other current assets

The following table sets forth the breakdown of the other current assets as of December 31, 2010 and as of March 31, 2011:

	As of December 31, 2010	As of March 31, 2011
	(in thousands of Euro)	
Other receivables	7,939	5,605
Other receivables from associates and joint ventures	1,459	—
Other receivables from related parties	218	218
Accrued income	517	361
Prepaid expenses	8,669	7,379
Other receivables for short term hedge derivatives	4,411	15,322
Total	**23,213**	**28,885**

As of March 31, 2011 Other current assets include:

- Advances to suppliers (Euro 1,013 thousand)
- Receivables toward from lessees of the properties located in USA (Euro 1,364 thousand)

During the three-month period ended March 31, 2011 the receivables from Zefer S.p.A. and related to consultancy/technical assistance services provided, have been classified into the trade receivables line.

The accrued income refer to rental costs and contribution received by clients, prepaid expenses include rental costs of Euro 2,729 thousand and insurance premium of Euro 1,044 thousand.

Other receivables from hedging activities related to hedge derivative instruments of Euro 15,322 thousand (Euro 4,411 thousand as of December 31, 2010) include the fair value valuation as of March 31, 2011 for all hedge derivative instruments signed by the parent company in order to manage the exchange rate risk on sales transactions in foreign currency.

17. Current financial assets

The following table sets forth the breakdown of the current financial assets as of December 31, 2010 and as of March 31, 2011:

	As of December 31, 2010	As of March 31, 2011
	(in thousands of Euro)	
Hedging derivatives	1,181	1,131
Other current financial assets	19	11
Total	**1,200**	**1,142**

18. Cash and cash equivalent

The following table sets forth the breakdown of cash and cash equivalents as of December 31, 2010 and as of March 31, 2011:

	As of December 31, 2010	As of March 31, 2011
	(in thousands of Euro)	
Time deposits	85,078	56,950
Current accounts	47,333	50,486
Cash and cash on hands	484	334
Total	**132,895**	**107,770**

Time deposits with banks expire in no more than 90 days. Current accounts represent temporary cash holdings, mainly aimed to meet current payments.

As of December 31, 2010 the credit lines not used amounted to Euro 259,634. As of March 31, 2011 group has not utilized credit lines of Euro 292,064 thousand.

For the purpose of the consolidated statement of cash flows the following table sets forth the breakdown of cash and cash equivalents as of March 31, 2011 and March 31, 2010:

	As of March 31, 2010	As of March 31, 2011
	(in thousands of Euro)	
Call money	55,670	50,820
Short term deposits	40,453	56,950
Bank overdrafts	(402)	(359)
Total	**95,721**	**107,411**

19. Share capital and reserve

As of March 31, 2011 share capital amounts to Euro 16,841 thousands, fully paid and consisted of n. 168,410,000 shares of a nominal value of 0.10 Euro cent each, of which n. 87,573,200 ordinary shares and n. 80,836,800 privileged shares on the basis of the provisions of art. 4 of the by-laws with limited voting rights pursuant to art. 2351, par. 2 of the Italian Civil Code. The ordinary shares, amounting to 52% of the share capital, are entirely held by Ferragamo Finanziaria S.p.A. for 44% and by Majestic Honour Limited for the remaining 15.8%.

The changes in shareholders equity items, occurred in the three months period ended March 31 2010 and 2011 are presented in the related statements of changes in the shareholders' equity.

The retained earning reserves include the legal reserve for Italian companies within the Group, which as of March 31, 2011 amounted to Euro 4,188 and refer entirely to the Company.

As per Italian law 5% of net profit for the year must to be allocated to legal reserve, up it reaches 20% of the share capital. This reserve is not distributable.

19. Share capital and reserve (Continued)

The following table sets forth the breakdown of the other reserves and retained earnings as of December 31, 2010 and as of March 31, 2011:

	Retained earnings reserves	Translation differences reserve	Other reserves	Total
		(in thousands of Euro)		
As of December 31, 2010				
Paid in capital	—	—	2,995	2,995
Legal reserve	4,188	—	—	4,188
Extraordinary reserve	31,933	—	—	31,933
Cash flow hedge reserve	—	—	(2,266)	(2,266)
Translation difference reserve	—	(27,288)	—	(27,288)
Retained earnings	110,303	—	—	110,303
Other reserves			7,487	7,487
	146,424	**(27,288)**	**8,216**	**127,352**
As of March 31, 2011				
Paid in capital	—	—	2,995	2,995
Legal reserve	4,188	—	—	4,188
Extraordinary reserve	36,686	—	—	36,686
Cash flow hedge reserve	—	—	11,379	11,379
Translation difference reserve	—	(39,597)	—	(39,597)
Retained earnings	95,127	—	—	95,127
Other reserves			7,429	7,429
	136,001	**(39,597)**	**21,803**	**118,207**

Paid in capital refer entirely to the Company and were paid as one-off sum in 2003 from the holding company Ferragamo Finanziaria S.p.A, and in 2007 were reduced by Euro 2,815 thousands due to the demerger occurred in 2007.

The extraordinary reserve refers entirely to the Company and was made up with retained earnings. As of March 31, 2011 the extraordinary reserve increased due to the residual profit of the financial year 2010, net of dividend distribution, for Euro 24 millions resolved in the three months period ended March 31, 2011 by the Company.

The cash flow hedge reserve is recorded against exchange rate hedge transactions carried out by the Company, with regard to exports in currencies other than Euro.

The translation reserve reflects changes in the value of the shareholders' equity in consolidated companies for the quota of the Group's investment, as a consequence of changes in the exchange rates of the companies functional currencies compared to the presentation currency.

The change is mainly due to the fluctuation of the exchange rate of the US dollar, then the yen and, finally, other currencies.

Retained earnings include the capitalization of the profits realized in the past years, taking into due account the consolidation adjustments, in particular unrealized profit on inventories. In the three months period ended as of March 31, 2011 retained earnings increase by Euro 20,1 millions due to the allocation of the prior year's net profit gross of the Company's result for the year allocated to extraordinary reserve.

Additionally this change has been impacted by the changes related to the acquisition of non controlling interest in fully consolidated companies (Euro 34.9 millions) and by the accounting for the effects of the put and call agreements (Euro 321 thousands).

19. Share capital and reserve (Continued)

The item Other reserves refer to the valuation differences arisen in application of IAS compared to local standards adopted by each Group's company.

20. Provision for risks and charges

The tables below set forth the changes and the breakdown of provision for risks and charges as of and for the three months period ended March 31, 2010 and March 31, 2011:

	For the three months period ended March 31, 2010				
	Book value as of January 1, 2010	Translation difference	Additions	Releases	Book value as of March 31, 2010
	(in thousands of Euro)				
Litigations	2,876	—	131	—	3,007
Legal charges	—	—	—	—	—
Others	1,036	20	—	(201)	855
Total	**3,912**	**20**	**131**	**(201)**	**3,862**

	For the three months period ended March 31, 2010				
	Book value as of January 1, 2011	Translation difference	Additions	Releases	Book value as of March 31, 2011
	(in thousands of Euro)				
Litigations	3,267	—	—	(87)	3,180
Legal charges	500	—	—		500
Others	1,285	(26)	—	(19)	1,240
Total	**5,052**	**(26)**	**—**	**(106)**	**4,920**

Litigations mainly include legal proceedings against the Company and some of the foreigner subsidiaries and labor disputes. Labor disputes refer to both litigations and estimates of settlement which the Group's companies may pay for settlement at the pre-litigation stage.

The release of provision for litigations is mainly related to the positive settlement of some legal and labour disputes occurred in the period.

The provision for other risks includes accruals made against probable future costs of miscellaneous nature and to cover any charges for goods returned by our wholesale customers for collections delivered during the period. Additionally this item includes the additional allowance set aside by Ferragamo Parfums SpA and Salvatore Ferragamo Italia SpA for commercial agents operating in Italy.

21. Employee termination indemnities

The following table sets forth the breakdown of the employee termination indemnities as of December 31, 2010an as of March 31, 2011:

	As of December 31, 2010	As of March 31, 2011
	(in thousands of Euro)	
Employee s termination indemnities (TFR)	7,285	7,317
Employee s termination indemnities (others)	2,055	1,870
Total	**9,340**	**9,187**

21. Employee termination indemnities (Continued)

Employee termination indemnities—Trattamento di fine rapporto

The Employee termination indemnities (so called Trattamento di Fine Rapporto or TFR) relate exclusively to the employees of the two Italian companies within the Group (the Company and Ferragamo Parfums).

The tables below set forth the changes in the employee termination indemnities for the three months period ended March 31, 2011:

	For the year ended December 31, 2010	For the three months period ended March 31, 2011
	(in thousands of Euro)	
Present value of the obligation at the beginning of the period	7,236	7,285
Cost relating to current employment	93	21
Financial charges	279	70
Benefits paid	(517)	(107)
Actuarial loss (gain) recorded	194	48
Present value of the obligation at the end of the period	**7,285**	**7,317**

Following the adoption of IFRS, employee severance indemnities are considered a defined-benefit obligation to be accounted for in accordance with IAS 19 and, consequently, the related liability is valued on the basis of actuarial techniques. As reported in the notes related to the main accounting principles, in 2007 Italian companies were affected by a legislative change, on the basis of which the provisions of IAS 19 regarding the treatment of employee liabilities for defined benefits are applied solely to those benefits which accrued up to 31 December 2006 for companies with more than 50 employees (the Company), while the full application of IAS 19 continues for the assessment of employee severance indemnities of the Italian companies with less than 50 employees (Ferragamo Parfums SpA).

Within the Group the non-Italian companies that have adopted defined-benefit plans for their employees are Ferragamo Japan KK, Ferragamo Retail Taiwan Ltd., Ferragamo France SAS, Ferragamo Montecarlo SAM, Ferragamo Mexico S.L.de C.V., Ferragamo Korea Ltd and Nelia Retail Private Ltd.

The value of the obligation at the end of the period for these companies was as follows:

	As of December 31, 2010	As of March 31, 2011
	(in thousands of Euro)	
Present value of the obligation at the end of the period	**1,519**	**1,348**

The table below sets forth the average number of employees full time equivalent by category for the three months period ended March 31, 2010 and March 31, 2011:

	For the three months period ended March 31,	
	2010	2011
Executives, junior managers and store managers	463.81	521.79
White collars	1,819.63	1,912.02
Blue collars	194.53	206.00
Temporary employees	190.71	242.95
Total	**2,668.68**	**2,882.76**

The increases over the period are mainly due to the staff required by the expansion of the retail network.

22. Other non-current liabilities

The tables below set forth the changes and the breakdown of other non-current liabilities as of and for the three months period ended March 31, 2010 and March 31, 2011:

	For the three months period ended March 31, 2010				
	Book value as of Jan. 1, 2010	Translation Difference	Increases	Decreases	Book value as of March 31, 2010
	(in thousands of Euro)				
Payables for deferred rents	28,168	1,945	256	(26)	30,343
Other payables	590	12	16	(23)	595
Tax payables	12,678	—	—	(1,811)	10,867
Other payables for hedge derivatives	13	—	139	—	152
Total	**41,449**	**1,957**	**411**	**(1,860)**	**41,957**

	For the three months period ended March 31, 2011				
	Book value as of Jan. 1, 2011	Translation Difference	Increases	Decreases	Book value as of March 31, 2011
	(in thousands of Euro)				
Payables for deferred rents	32,851	(1,922)	318	(186)	31,061
Other payables	587	(9)	16	(56)	538
Tax payables	—	—	—	—	—
Other payables for hedge derivatives	98	—	—	(98)	—
Total	**33,536**	**(1,931)**	**334**	**(340)**	**31,599**

Payables for deferred rents refer almost entirely to the straight lining of rents over the contract period for the property leased in the United States, including the building on Fifth Avenue, next to the building owned by the Group, where a significant part of the New York store is located.

23. Non-current financial liabilities

The following table sets forth the breakdown of the non-current financial liabilities as of December 31, 2010 and as of March 31, 2011:

	As of December 31, 2010	As of March 31, 2011
	(in thousands of Euro)	
Derivatives financial instruments	83	23
Trade payables to related parties	—	39,309
Total	**83**	**39,332**

Non-current financial liabilities as of March 31, 2011 amount to Euro 39,332 thousands; the increase compared to December 31, 2010 is due to recognition of the actualized financial liability related to the new agreement signed with Imaginex Holdings Limited and Imaginex Overseas Limited based on which Ferragamo Group is entitled to acquire additional shares of Ferrimag Limited and Ferragamo Moda Shangai as also of Ferragamo Retail Macau, on top of the 25% capital share already held of Ferrimag Limited and Ferragamo Moda Shangai and on top of the 15,2% capital share already held of Retail Macau, at a price agreed (Euro 41,235,000) that has to be paid on January 1, 2013.

24. Trade payables

The following table sets forth the breakdown of the trade payables as of December 31, 2010 and as of March 31, 2011:

	As of December 31, 2010	As of March 31, 2011
	(in thousands of Euro)	
Trade payables	102,667	121,385
Advances from customers	887	234
Trade payables to related parties	53	167
Total	**103,607**	**121,786**

Trade payables do not bear interest and are usually due in 60/90 days. This item includes payables relating to the operating commercial activity carried out by the Group companies, in particular the purchase of raw materials, parts and manufacturing in outsourcing.

25. Loan and borrowings

The following table sets forth the breakdown of the loans and borrowings as of December 31, 2010 and as of March 31, 2011:

	As of December 31, 2010	As of March 31, 2011
	(in thousands of Euro)	
Due to banks	145,803	111,230
Current accounts	426	359
Other financial debts	4,567	3,429
Due to related parties	—	848
Total	**150,796**	**115,866**

As described in more detail in the financial risks management section, due to banks consist of:

(i) the withdraw of a revolving credit line with an original duration of 5 years and residual life, as of March 31, 2011, of nine months;

(ii) short and medium term committed credit lines; and

(iii) uncommitted local credit lines.

The interest rates applied are equivalent to the interbank reference rate increased by a spread depending on the type of credit line. Commission fees related to the unutilized lines do not have significant impact.

During the three months period ended as of March 31, 2011 committed credit lines which had expired were renegotiated.

25. Loan and borrowings (Continued)

The table below sets forth the breakdown of our credit lines between committed and uncommitted lines as of December 31, 2010 and as of March 31, 2011:

	As of December 31, 2010		As of March 31, 2011	
	Total credit line	Outstanding	Total credit line	Outstanding
	(in thousands of Euro)			
Stand-by Club Deal	100,000	54,665	100,000	33,983
Other committed credit lines	195,000	67,865	195,000	64,814
Uncommitted credit lines	110,863	23,699	108,653	12,792
Total	**405,863**	**146,229**	**403,653**	**111,589**

As of March 31, 2011 other loans include:

- the put option granted to non-controlling interests of Ferragamo Japan K.K. for Euro 2,818 thousands, to sell to the Company their own 29% investment in Ferragamo Japan K.K. stated on the basis of the conditions set out in the Shareholders' Agreement signed by the parties. (Euro 3,050 thousands as of December 31, 2010);
- liabilities to non-controlling interests of Ferragamo Retail India for Euro 611 thousands (Euro 616 thousands as of December 31, 2010).

In the next fiscal years adjustments in the value of the put option will be directly recognized as equity;

The loan from third party shareholders to the entity Retail Macau Ltd. for Euro 848 thousands (Euro 901 thousands as of December 31, 2010).

26. Tax payables

The following table sets forth the breakdown of the tax payables as of December 31, 2010 and as of March 31, 2011:

	As of December 31, 2010	As of March 31, 2011
	(in thousands of Euro)	
Total	**27,210**	**15,244**

The amounts relate to payables for income taxes for the period and other taxes due by Group companies. The decrease is mainly related to the residual debt connected to the settlement of the tax dispute with the Italian tax authorities paid on February 15, 2011.

27. Other current payables

The following table sets forth the breakdown of the other current liabilities as of December 31, 2010 and as of March 31, 2011:

	As of December 31, 2010	As of March 31, 2011
	(in thousands of Euro)	
Other current payables	23,856	52,534
Payables to social security institutions	3,726	2,367
Payables to related parties	10,832	29,731
Accrued expenses	2,519	2,590
Deferred income	1,818	1,811
Other payables for short term hedge derivatives	6,220	547
Total	**48,971**	**89,580**

The item Other current payables mainly includes the payables to Group's employees for amounts accrued but not yet paid as at the date of the financial statements; it also includes dividends payables already declared (Euro 24,015 thousands) it also includes payables to suppliers/service providers which were not yet invoiced as at the date of the financial statements.

The item Payables to social security institutions refers to payables to social security institutions paid in the month following the year end and relating to amounts due to employees.

Payables to related parties consist of payables to Ferragamo Finanziaria SpA under the tax consolidation regime (Euro 16,069 thousands) and dividends payable to the non-controlling interests (Euro 13,658 thousands).

The item Other payables for short term hedge derivatives represents the fair value valuation as at the end of the period of the outstanding hedge derivative contracts entered into by the Company to manage exchange rate risk.

28. Other current financial liabilities

This item mainly refers to the fair value of the derivatives with a negative mark to market at the end of the year.

For further details see note 29 Derivatives below.

29. Derivatives

The following table sets forth the breakdown of the derivatives as of December 31, 2010 and as of March 31, 2011:

Derivative with positive fair value

	As of December 31, 2010	As of March 31, 2011
	(in thousands of Euro)	
Long term derivatives	2	—
Short term derivatives	1,181	1,131
	1,183	**1,131**

29. Derivatives (Continued)

Derivative financial instruments with negative fair value

	As of December 31, 2010	As of March 31, 2011
	(in thousands of Euro)	
Long term derivatives financial instruments	83	23
Short term derivatives financial instruments	1,367	1,230
	1,450	**1,253**

Derivatives originate exclusively from the management of exchange rate risk on transactions in foreign currency undertaken by Group companies.

NOTES TO THE STATEMENT OF INCOME

30. Revenue from sales and services

For the three months period ended March 31, 2010 and 2011 revenue from sales and services amounted to Euro 208,512 thousands and Euro 162,806 thousands, The table below sets forth the breakdown of the revenue from sales and services for the three months period ended March 31, 2010 and 2011:

	For the three months period ended March 31,	
	2010	2011
	(in thousands of Euro)	
Revenue from wholesale sales	51,183	69,748
Revenue from retail sales	109,903	137,050
Revenue from related parties	17	22
Royalties	914	703
Fees and services	462	481
Fees and services from associates and joint ventures	321	500
Fees and services from associates	6	8
Total	**162,806**	**208,512**

Royalties are mainly related to the license contract with Luxottica for the production and distribution of glasses and to the contract with Timex for the production and distribution of watches (Ferragamo brand).

Fees and services from associates and joint ventures are entirely related to technical consultancy for Zefer SpA.

31. Rental of investment properties

For the three months period ended March 31, 2010 and 2011 income from rental of investment properties amounted to Euro 1,839 thousands and Euro 2,141 thousand, respectively and were wholly related to Ferragamo USA for the lease of space in owned and leased property.

32. Cost of sales

The table below sets forth the breakdown of the cost of sales for the three months period ended March 31, 2010 and 2011:

	For the three months period ended March 31,			
	2010		2011	
	(in thousands of Euro)			
Change in finished products, semi finished products and work in progress		(2,254)		918
—purchase of raw materials, accessories and consumable goods	(45,762)		(65,071)	
—sales of raw materials	5,355		6,859	
—changes in raw materials, accessories and consumable goods inventory	7,912		14,907	
Raw materials, accessories and consumable goods used		(32,495)		(43,305)
—manufacturing costs	(25,066)		(34,883)	
—other services	(1,261)		(1,628)	
Cost of services		(26,327)		(36,511)
Personnel costs		(1,086)		(1,435)
Depreciation and amortization		(138)		(131)
Cost of sales		**(62,300)**		**(80,464)**

In the three months period ended March 31, 2011 the cost of sales increase (+29.2%) is slightly higher than the Group's revenue increase; therefore the incidence of the cost of sales on revenue increased from 37.8% to 38.3% mainly as a consequence of the change in the mix of revenue that saw an increase in the incidence if the wholesale sales from 31.0% in the three months period ended March 31, 2010 to 33.2% in the three months period ended March 31, 2011 (increase in revenue from wholesale sales +36.3%), Purchases mainly include the materials for production and manufacturing costs.

The production cycle of the more traditional business (footwear, leather goods and clothing) generally entails the purchase of raw materials and accessories which are subsequently sent to third parties on account for manufacturing; the related costs are shown in the specific item cost for services.

For the fragrance business the Group buys the necessary for the production and resells it to an external specialist for the treatment and packaging of the finished product, which is then purchased for distribution, The item sales of raw materials mainly refers to the production cycle of the fragrance business.

33. Other operating income

The table below sets forth the breakdown of the other operating income for the three months period ended March 31, 2010 and 2011:

	For the three months period ended March 31,			
	2010		2011	
	(in thousands of Euro)			
—Cost recovery	64		148	
—Rental of instrumental properties	460		450	
—Advertising contributions	249		441	
—Others	234		670	
Other income		1,007		1,709
Other operating income—related parties		14		13
Gain on disposal of property, plant and equipment and intangible assets		—		1
Non-recurring income		483		274
Total		**1,504**		**1,997**

Cost recovery refers to costs charged back to third party wholesale customers. Income from rental of instrumental properties mainly relate to parts of properties leased for stores, which are sublet to third parties for the part in excess to the needs. Advertising contributions are paid to the Group by wholesale customers.

For the analysis of transactions with related parties please refer to the paragraph Transactions with related parties.

34. Style, product development and logistics costs

The table below sets forth the breakdown of the style, product development and logistic costs for the three months period ended March 31, 2010 and 2011:

	For the three months period ended March 31,	
	2010	2011
	(in thousands of Euro)	
Purchases	(560)	(860)
Services	(2,815)	(3,333)
Personnel	(2,866)	(3,130)
Depreciation and amortization	(161)	(88)
Total	**(6,402)**	**(7,411)**

The item includes the costs of the creative departments, It also includes transport costs for the supply of products to customers, third parties and Group commercial associates.

35. Selling and distribution costs

The table below sets forth the breakdown of the selling and distribution costs for the three months period ended March 31, 2010 and 2011:

	For the three months period ended March 31,			
	2010		2011	
	(in thousands of Euro)			
Purchases		(1,115)		(913)
—rental lease	(23,854)		(27,958)	
—others	(9,027)		(10,905)	
Services		(32,881)		(38,863)
Personnel		(18,319)		(21,911)
Depreciation and amortization		(4,761)		(4,454)
Total		**(57,076)**		**(66,141)**

The item refers to the costs of the direct retail network, of retail and wholesale sales departments of the head office and of the affiliated companies. It also includes the logistics costs for distribution on foreign markets where the Group has a direct presence.

The following table sets forth the breakdown of the selling and distribution costs by activity for the three months period ended March 31, 2010 and 2011:

	For the three months period ended March 31,	
	2010	2011
	(in thousands of Euro)	
Retail	(50,446)	(58,412)
Wholesale	(5,403)	(6,435)
Logistic distribution	(1,227)	(1,294)
Total	**(57,076)**	**(66,141)**

36. Communication and marketing costs

The table below sets forth the breakdown of the communication and marketing costs for the three months period ended March 31, 2010 and 2011:

	For the three months period ended March 31,	
	2010	2011
	(in thousands of Euro)	
Purchases	(1,062)	(1,173)
Services	(8,041)	(10,492)
Personnel	(1,530)	(1,822)
Depreciation and amortization	(15)	(22)
Total	**(10,648)**	**(13,509)**

The item communication and marketing costs refer costs for communication and marketing activities. Communication costs include expenses for advertising creation and media, public relations and events (i.e. fashion shows, openings of stores, presentation and launch of products).

37. General and administrative expenses

The table below sets forth the breakdown of the general and administrative expenses for the three months period ended March 31, 2010 and 2011:

	For the three months period ended March 31,			
	2010		2011	
	(in thousands of Euro)			
Purchases		(70)		(123)
—leasing and rents	(2,539)		(2,885)	
—others	(4,470)		(8,316)	
Services		(7,009)		(11,201)
Personnel		(6,244)		(6,580)
Depreciation and amortization		(1,487)		(1,623)
Total		**(14,810)**		**(19,527)**

General and administrative expenses include costs of personnel for general management, information systems, administrative and human resources activities. The item also includes costs relating to the real estate activity in USA.

38. Other operating expenses

The following table sets forth the breakdown of the other operating expenses for the for the three months period ended March 31, 2010 and 2011:

	For the three months period ended March 31,			
	2010		2011	
	(in thousands of Euro)			
Losses on disposals of property, plant and equipment and intangible assets		(1)		—
Non recurring charges		(72)		(101)
Provision for risks and charges		(131)		—
Write downs of current assets		(323)		(428)
—entertainment expenses, homage and donations	(374)		(362)	
—indirect taxes, duties and dues	(909)		(3,247)	
—other	(195)		(129)	
Other operating costs		(1,478)		(3,738)
Total		**(2,005)**		**(4,267)**

For further details in relation to the item Provisions for risks and charges refer to Note 20 above.

The write-down of current assets reflects allowance to the provision for bad debt and losses on receivables.

Other operating costs mainly include non-deductible taxes and entertainment expenses. The change in indirect taxes, duties and dues mainly relate to the withholding taxes paid by the company Ferrimag Limited connected to the payment of dividends from its subsidiaries in the three months period ended March 31, 2011.

39. Costs by nature

The following table sets forth the breakdown by nature of the operating expenses for the three months period ended March 31, 2010 and 2011:

	For the three months period ended March 31,	
	2011	2010
	(in thousands of Euro)	
Raw materials, finished products and consumable goods used	(37,556)	(45,456)
Services costs	(77,073)	(100,400)
Personnel costs	(30,045)	(34,878)
Depreciation and amortization	(6,562)	(6,318)
Other expenses	(2,005)	(4,267)
Operating expenses	**(153,241)**	**(191,319)**

40. Research and development costs

As part of its creative and production activities, the Group incurred costs for research and development for new products and new materials, which have been fully charged to the statement of income.

For the three months period ended March 31, 2010 and 2011 these costs amounted to Euro 4,139 thousands and Euro 4,371 thousands, respectively.

41. Financial expenses

The following table sets forth the breakdown of the financial expenses for the three months period ended March 31, 2010 and 2011:

	For the three months period ended March 31,	
	2010	2011
	(in thousands of Euro)	
Interest expenses—loans from third parties	(561)	(580)
Discount charges and other financial charges—third parties	(355)	(442)
Losses on exchange rate	(4,213)	(5,151)
Losses on fair value adjustments on derivatives	(495)	(318)
Total	**(5,624)**	**(6,491)**

Interest expenses relate entirely to short term loans from banks.

The item discount charges and other financial charges are mainly related to bank fees, to financial expenses on employee benefits in relation to the valuation of defined benefit plans as per IAS 19 and residual charges for Euro 94 thousands related to the discounted value of the payable connected to the agreement for the purchase of the non-controlling interest described in the Notes 3 above.

Gains and losses on exchange rate differences were recorded mainly by the Company, in connection with the foreign sales, to companies within the Group and to third parties. In the three months period ended March 31, 2011 the net losses from exchange differences amounted to Euro 4,381 thousands compared to net gains of Euro 2,800 thousands recorded in the three months period ended March 31, 2009.

42. Financial income

The following table sets forth the breakdown of the financial income for the three months period ended March 31, 2010 and 2011:

	For the three months period ended March 31,	
	2010	2011
	(in thousands of Euro)	
Interest income	61	171
Other financial income	14	15
Gain on exchange difference	7,013	770
Gains on fair value adjustments on derivatives	532	490
Total	**7,620**	**1,446**

43. Share of profit of associates

The item includes only the investment in the joint venture Zefer S.p.A. purchased in 2006 and accounted for using the equity method.

	For the three months period ended March 31,	
	2010	2011
	(in thousands of Euro)	
Zefer S.p.A.	**99**	**229**

44. Income taxes

The following table sets forth the income taxes for the for the three months period ended March 31, 2010 and 2011:

	For the three months period ended March 31,	
	2010	2011
	(in thousands of Euro)	
Current taxes	(4,752)	(9,247)
Deferred taxes	219	2,920
Income taxes prior periods (tax refund)	—	5,575
Total	**(4,533)**	**(752)**

The amount charged to the item income taxes prior periods (tax refund) relates entirely to the settlement of the tax dispute with the Italian tax authorities, that involved the subsidiary FIBV, the Company and the Florence Tax Office.

Deferred tax assets and liabilities

The following table sets forth the breakdown of deferred tax assets and liabilities as of March 31, 2011 and December 31, 2010:

	As of December 31, 2010	As of March 31, 2011
	(in thousands of Euro)	
Deferred tax assets	61,715	61,342
Deferred tax payables	5,863	9,223
Total	**55,852**	**52,119**

44. Income taxes (Continued)

The deferred taxes reflect the net tax impact of temporary differences between the book values of assets and liabilities and their tax values which result in taxable or tax deductible amounts arising in future periods.

The accounting treatment of deferred tax assets reflects the adjustments to take into account the has been properly adjusted to reflect the expected use of the deferred tax assets.

The following table sets forth the breakdown by nature of the deferred tax assets as of March 31, 2011 and December 31, 2010:

	Statement of financial position			Shareholders' equity			Statement of income	
							For the three months period ended March 31,	
	As of March 31, 2010	As of December 31, 2010	As of March 31, 2011	As of March 31, 2010	As of December 31, 2010	As of March 31, 2011	2010	2011
				(in thousands of Euro)				
Deferred tax assets								
—on employees' benefits	637	959	908	328	404	417	—	(26)
—on property, plant and equipments	9,122	11,107	10,932				214	401
—on intangible assets	640	729	761				32	32
—on cash flow hedge reserve/ derivatives under IAS 39	5,303	800	646	2,025	859		(1)	1,205
—on deferred revenues under IAS 18	96	163	162				(5)	(1)
—on inventories evaluation	4,825	4,666	4,561				(307)	18
—on unrealized profits in the inventories	23,663	26,467	26,468				(861)	1
—on fiscal losses	7,468	4,164	4,411				1,771	517
—on taxable provisions	1,017	2,275	1,599				(17)	(659)
—on impairment of investments	12	14	13				—	—
—on other temporary differences	9,135	10,371	10,881				377	1,003
Total deferred tax assets	**61,918**	**61,715**	**61,342**	**2,353**	**1,263**	**417**	**1,203**	**2,491**
Deferred tax liabilities								
—on employees' benefits	275	262	271				1	10
—on property, plant and equipments	1,386	1,459	1,466				(18)	32
—on leased assets	360	353	351				—	(2)
—on intangible assets	—	—	2				—	2
—on cash flow hedge reserve/ derivatives under IAS 39	2,998	559	4,376			4,316	899	1
—on inventories evaluation	2,348	2,078	1,896				72	(182)
—on other temporary differences	42	1,152	861				30	(290)
Total deferred tax liabilities	**7,409**	**5,863**	**9,223**	**0**	**0**	**4,316**	**984**	**(429)**
Income/Charge on deferred taxes							219	2,920
Net impact on the shareholders' equity				**2,353**	**1,263**	**(3,899)**		
Presented in the financial statements as follows:								
Deferred tax assets	61,918	61,715	61,342					
Deferred tax liabilities	7,409	5,863	9,223					
Deferred tax assets net of deferred tax liabilities	**54,509**	**55,852**	**52,119**					

OTHER INFORMATION

45. Earnings per share

As per IAS 33 the table below sets forth the data for the calculation of the basic and diluted earnings per share, i.e. the net profit/(loss) for the period and the weighted average number of issued shares.

The earnings per share is calculated as ratio between the net result for the period (net profit/(loss) attributable to the owners of the Company) and the weighted average number of issued shares in the period.

For the purpose of the earnings per share calculation the net profit/(loss) for the period attributable to the owners of the Company as numerator.

The extraordinary meeting of the Company's shareholders held on March 30, 2011 resolved to exchange one old shares of nominal value of Euro 1.00 with ten new shares of nominal value of Euro 0.10 per share, with any distinction between ordinary and preferred shares.

	For the three months period ended March 31,	
	2010	**2011**
EARNINGS PER SHARE BASIC		
Net profit (loss) for the period attributable to the owners of the Company	9,066,000	12,099,000
Less: increase of dividend per privileged share (5% of face value)	(404,184)	(404,184)
	8,661,816	11,694,816
Average number of ordinary and privileged shares	168,410,000(*)	168,410,000
Earnings per share basic—ordinary shares	**0.051**(*)	**0.069**
Plus: increase of dividends for privileged shares	0.005(*)	0.005
Earnings per share basic—privileged shares	**0.056**(*)	**0.074**
EARNINGS PER SHARE DILUTED		
Average number of ordinary and privileged shares	168,410,000(*)	**168,410,000**
Average number of ordinary and privileged shares diluted	**168,410,000**(*)	**168,410,000**
Earnings per share basic—ordinary shares	**0.051**(*)	**0.069**
Plus: increase of dividends for privileged shares	0.005(*)	**0.005**
Earnings per share basic—privileged shares	**0.056**(*)	**0.074**
Average number of ordinary shares	87,573,200	87,573,200
Average number of privileged shares	80,836,800	80,836,800
	168,410,000	**168,410,000**

(*) On March 30, 2011, our shareholders' meeting resolved to split the nominal amount of our shares from Euro 1 to Euro 0.10. The split was taken into account retroactively for the purpose of determining the earning per share for the three months period ended as of March 31, 2010.

46. Share based payments

Since the 2006 the Company as per IFRS 2, accounted for in the consolidated financial statements a share based payment plan in favour of one director.

On May 2009 the parties amended the agreements changing the grant terms by redefining the exercise windows and changing the price for the services provided by the beneficiary. This price is no longer represented by the Company's ordinary shares but by a cash settlement whose amount is based on the value of the Company's shares, and not a value defined at the grant date.

46. Share based payments (Continued)

In particular, the cash settlement is divided in 3 tranches, offered for subscription from January 1 to February 28, over the three years period from May 28, 2009 to February 28, 2013 as specified below:

- 1° *tranche*: *vesting* from May 29, 2009 to December 31, 2010, execution period from January 1, 2011 to February 28, 2011;
- 2° *tranche*: *vesting* from May 29, 2009 to December 31, 2011, execution period from January 1, 2012 to February 28, 2012;
- 3° *tranche*: *vesting* from May 29, 2009 to December 31, 2012, execution period from January 1, 2013 to February 28, 2013.

It remains valid the option to postpone the exercise of the right to receive payments at the future maturity dates up to February 28, 2013; in which case the right should be exercised for the full amount matured at that moment.

In the event that at the exercise date the Company is listed, the value of the Company is calculated as weighted average of the prices between the two months prior to the exercise date and the two subsequent months.

In choosing the accounting model, management considered that this plan structure refers to a share-based payment settled in cash. For this reason, the services provided have been measured at the fair value of the liability concerned and the related impacts are recognized in the statement of income.

In the consolidated financial statements as of and for the three months periods ended March 31, 2011 the accrued liability and the cost amounted to Euro 4,557 thousands and Euro 1,422 thousands, respectively.

As per the agreement the value of the Company to be used will be determined by common consent between the parties and through a valuation carried out by an independent expert. At the moment of the exercise of the option on the first tranche occurred on January 25, 2011, the parties agreed on the value of the Company's shares. Therefore the whole amount of the liabilities to the assignee has been determined on the basis of the Company's evaluation agreed between the parties and on March 22, 2011 resolved by the Compensation Committee and subsequently confirmed by the Board of Directors held on March 30, 2011.

47. Put and call options on non-controlling interests

In the last years, the Ferragamo Group is grown in Italy, mainly through internal growth. In some geographical area, especially in the Asian area, the Group is grown also through the use of partnership agreements with local distributors. These partnerships are regulated through Shareholders' Agreements, that contain corporate governance rules and some put and call options that non-controlling shareholders may exercise under certain conditions.

The subsidiaries involved in the mentioned above put and call options are Ferragamo Japan K.K., Ferrimag Limited, Ferragamo Moda (Shanghai) Co. Ltd., Ferragamo Korea Limited, Ferragamo (Malaysia) Sdn Bhd, Ferragamo (Singapore) Pte. Ltd., Ferragamo (Thailand) Limited and Ferragamo Retail India Private Limited.

Impacts of the options on the unaudited interim consolidated financial statements are summarized below.

Regarding Ferragamo Japan K.K., the Shareholders' Agreement contains the opportunity for the non-controlling shareholders, that cumulatively own 29%, to sell to the Company their own shares at a contractually fixed price in case of effective financial needs of the non controlling shareholders or in case of changes in the investment strategy in the luxury industry. As a consequence, as of December 31, 2010, the Group recognized a financial liability related to the exercise of the put option for the 29% non controlling interest. As of March 31, 2011 this financial liabilities amounted to Euro 2,818 thousands.

47. Put and call options on non-controlling interests (Continued)

Regarding the investment in the subsidiary Ferragamo Retail India Private Limited, in March 2010 the Group modified the Shareholders' Agreement to include, among others, the right for the Group to immediately buy the non controlling interest (representing 49% of the shareholders) to the fixed price of Indian Rupee 34.324.000, increased by the interests calculated on the basis of defined parameters. The Group has the right to exercise the call option up to June 30, 2016; in case that the Group will not exercise the call option within the terms the partner will have the opportunity to exercise a put option with similar terms. In consideration of the fixed price of the option and of contractual terms that guarantee to non controlling shareholders only the capital remuneration, starting from April 1, 2010 the Group has integrally consolidated the company Ferragamo Retail India Private Limited as management believe that the Group already got access to the economic benefits related to the non-controlling interest. As a consequence, as of March 31, 2011 the Group recognized a financial liability for Euro 611 thousands.

48. Segment reporting

The IFRS 8 (Operating Segments) requires segment reporting in the financial statements to provide the information that management considers relevant for taking its operating decisions. Group Management regularly reviews the identified segment reporting to monitor the performance of the segments and to allocate resources.

Starting from 2010 the Group management identified only one operating segment including the fragrance business, that consists of the production and distribution of fragrances.

This presentation is on the same basis as used by the management to take its operating decision, and to allocate resources: therefore the fragrance business represents a product line within the whole range of products offered to the market and an effective image builder tool.

The communication strategy aims to associate the product "fragrance" to other categories of products branded Ferragamo, suggesting to the customers an homogeneous offer of products.

Consequently the segment reporting for the prior years has been redefined.

The identified segment includes the creation, development and production of (i) footwear, leather goods, clothing and accessories for men and women, mainly distributed through the direct retail network, and to a lesser extent through franchisee to qualified resellers and (ii) fragrances and related products under the Ferragamo brand and, on license, the Ungaro brand; whose marketing is done through a network of selected, mainly multi-brands, distributors.

48. Segment reporting (Continued)

Segment reporting—statement of income reclassified

	For the three months period ended March 31, 2010	2011
	(in thousands of Euro)	
Net revenue from wholesale sales	51,200	69,770
Net revenue from retail sales	109,903	137,050
Licenses	1,703	1,692
Rental income	2,141	1,839
Total income	**164,947**	**210,351**
Gross profit	**102,647**	**129,887**
%	**62.2%**	**61.7%**
Personnel costs	(28,211)	(32,564)
Rental leases	(26,407)	(30,861)
Depreciation, amortization and impairment of non-current assets	(6,413)	(6,175)
Communication costs	(9,724)	(12,056)
Other expenses	(18,682)	(27,202)
EBIT	**13,210**	**21,029**
Net financial income/(expenses)	1,996	(5,045)
Share of profit of associates	99	229
Income before income taxes	**15,305**	**16,213**
Income tax	(4,533)	(752)
Net income for the period	**10,772**	**15,461**

Segment reporting—statement of financial position reclassified

	As of December 31, 2010	As of March 31, 2011
	(in thousands of Euro)	
Inventory	182,780	188,610
Trade receivables	75,377	71,388
Property, plant and equipment and intangible assets	115,171	109,831
Intangible assets with definite and indefinite useful life	14,888	14,565
Other assets	105,150	117,369
Total assets excluding cash and cash equivalents	**493,366**	**501,763**
Net indebtedness	17,901	8,096
Trade payables	103,607	121,786
Other liabilities	131,422	200,315
Shareholders' equity	240,436	171,566
Total liabilities and shareholders' equity (net of cash and cash equivalents)	**493,366**	**501,763**
Other information		
Investments in property, plant and equipment	2,284	4,273
Investments in property	7	—
Investments in intangible assets	848	838

Segment information by geographical area

The secondary segment information is by geographical area: revenues are allocated on the basis of the customers' geographic area and assets are allocated on the basis of their location.

48. Segment reporting (Continued)

For the three months period ended March 31, 2010

	Europe	North America	Japan	Asia-Pacific	Central South America	Consolidated
			(in thousands of Euro)			
Revenue	**41,839**	**35,713**	**27,407**	**54,408**	**5,580**	**164,947**
Other information						
Total Assets	**49,244**	**53,013**	**5,383**	**31,642**	**3,447**	**142,729**
Investments:						
Property, plant and equipment	249	227	4	1,254	550	2,284
Investment property	—	7	—	—	—	7
Intangible assets	842	6	—	—	—	848

For the three months period ended March 31, 2011

	Europe	North America	Japan	Asia- Pacific	Central South America	Consolidated
			(in thousands of Euro)			
Revenue	**54,602**	**44,920**	**27,551**	**75,758**	**7,520**	**210,351**
Other information						
Total Assets	**52,731**	**43,891**	**4,091**	**33,487**	**3,149**	**137,349**
Investments:						
Property, plant and equipment	2,327	684	—	1,167	95	4,273
Intangible assets	748	84	6	—	—	838

49. Related party transactions

The tables below set forth the impact of the transactions with related parties on the consolidated financial statement as of and for the three months period ended March 31, 2010 and 2011.

	As of and for the three months period ended March 31, 2010			
	Revenue	Costs	Receivables	Payables
		(in thousands of Euro)		
Company with significant influence over the Group:				
Ferragamo Finanziaria S.p.A.	—	—	683	(3,412)
Associates:				
Palazzo Feroni Finanziaria S.p.A.	20	(1,568)	17	(49)
Lungarno Alberghi S.p.A.	17	(148)	26	(5)
Zefer S.p.A.	321	—	321	—
Directors of the Group:				
Caretti & Associati S.p.A.	—	(54)	—	(107)
Il Borro S.r.l.	—	(5)	8	(7)
Wanda Miletti Ferragamo	—	(19)	—	—
Bacco S.r.l.	—	(1)	—	—
Castiglion del Bosco S.r.l.	—	(2)	—	(2)
Rubino S.r.l.	—	(25)	—	2

49. Related party transactions (Continued)

	As of and for the three months period ended March 31, 2011						
	Revenue	Costs	Financial expenses	Receivables	Trade Payables	Other Payables	Financial liabilities
	(in thousands of Euro)						
Company with significant influence over the Group							
Ferragamo Finanziaria S.p.A.	—	—	—	218		(16,069)	—
Associates:							
Palazzo Feroni Finanziaria S.p.A.	21	(1,137)	—	25	—		—
Lungarno Alberghi S.r.l.	7	(150)	—	11	(3)		—
Zefer S.p.A.	500	—	—	1,959	—		—
Directors of the Group:							
Caretti & Associati S.p.A.	—	(57)	—	—	(111)		—
Il Borro S.r.l.	8	(14)	—	10	(16)		—
Wanda Miletti Ferragamo	—	(19)	—	—	—		—
Bacco S.r.l.	—	(1)	—	—	—		—
Castiglion del Bosco S.r.l.	1	(2)	—	1	(2)		—
Rubino S.r.l.	—	(21)	—	—	(1)		—
Imaginex Overseas Ltd*	—	(12)		—		(723)	(5,076)
Imaginex Holding Ltd*	—	(83)		—		(12,939)	(35,081)
Imaginex Management Co. Ltd*	6	(22)	—	—	(21)		—
Wharf T&T Ltd*	—	(1)	—	—	—		—
Times Square Ltd.*	—	(90)	—	—	—		—
Wharf Realty Ltd.*	—	(256)	—	—	—		—
Lane Crawford Ltd*	—	(5)	—	19	—		—
Wheelock Travel Ltd*	—	(1)	—	—	—		—
Imaginex Beauty Ltd.*	—	—	—	—	(2)		—
Xiamen Dongfang Hotel Co., Ltd*	—	(18)	—	160	—		—
Imaginex (Shanghai) Commercial Co. Ltd*	—	(1)	—	—	—		—
Shanghai Wheelock square Development Co. Ltd*	—	—	—	111	—		—
Shanghai Harriman Property Management Co. Ltd*	—	—	—	16	—		—
Shanghai Longxing Property Development Co. Ltd.*	—	(33)	—	67	(11)		—
Shanghai Times Square Property Management (Shanghai) Co. Ltd.*	—	(2)	—	4	—		—
Studio Legale Portale Visconti							
Giacomo Ferragamo		(98)					
Angelica Visconti		(38)					
Total	543	(2,061)	—	2,601	167	29,731	40,157
Total Group	208,512	(187,483)	—	71,388	121,786	104,824	155,198
Incidence %	0.26%	1.10%	—	3.64%	0.14%	28.36%	25.87%

* Revenues and costs of the indicated companies related to the period from March 1, 2011 to March 31, 2011.

Sales and purchases between related parties are carried out at normal market prices. The outstanding balances at the end of the year are not backed by any guarantees, nor do they generate interest and are settled in cash. There are no guarantees, given or received, relating to receivables and payables with related parties. The Group did not accrue any provision for bad debts in relation to amounts due from related parties.

49. Related party transactions (Continued)

Parent company

Ferragamo Finanziaria SpA is the holding of the parent company Salvatore Ferragamo Italia S.p.A., debts and credits relate to the tax consolidation regime.

Companies subject to common control

Palazzo Feroni Finanziaria S.p.A

Revenues (and associated receivable balances) relate to the sales of products and to the supply of IT and administrative services. Costs and payables relate to the rental lease for the headquarter offices in Florence and for retail stores in Italy.

Lungarno Alberghi s.r.l.

Revenues (and associated receivable balances) revenues relate to sales of products; costs mainly relate to rental lease for retail stores in Italy.

Joint venture

Zefer S.p.A.

Revenues (and associated receivable balances) relate to fees for technical assistance services provided to the Company.

Companies related to Directors of the Group

Caretti & Associati S.p.A.

Fees and associated payables are related to consultancy services.

Wanda Miletti Ferragamo

Costs relate to rental lease of the store whose the leaser is Mrs. Wanda Ferragamo.

Borro Srl

Revenues (and associated receivable balances) relate to sales of products and administrative services provided, costs and associated payables relate to purchase of goods.

Bacco s.r.l.

Costs refer to rental lease;

Rubino s.r.l.

Costs and associated payables refer to rental lease.

Castiglion del Bosco s.r.l.

Costs and associated payables refer to purchase of wine products.

ImaginexOverseas Ltd.

Financial liabilities refer to the loan (capital and interests) granted to Ferragamo Retail Macau Limited, to the dividends resolved but as of March 31, 2011 not yet paid by Ferragamo Retail Macau Limited and Ferragamo Moda (Shanghai) Co. Limited and to financial liabilities originated by the agreement for the sale of the 25% interests in Ferragamo Moda Shanghai Co. Limited and 15,2% interests in Ferragamo Retail Macau Limited. Costs relate to the portion o finterests on the loan, discounted

49. Related party transactions (Continued)

charges on the mentioned above sale agreement and for the residual portion to the i information technology services provided to Ferragamo Retail Taiwan Limited.

ImaginexHoldings Ltd.

Costs relate to discount charges due to the agreement signed on February 28, 2011. Financial liabilities mainly refer to the value of the agreement for the sale of the 25% interests in Ferrimag Limited and to the dividends resolved by Ferrimag Limited and as of March 31, 2011 not yet paid.

Imaginex Management Co. Ltd.

Costs and associated payables refer to the rental lease of outlet stores and offices in Hong Kong and information technology services provided to Ferragamo Retail Hong Kong Limited and Ferragamo Retail Macau Limited. Revenue refers to occasional purchase of products.

Wharf T&T Ltd.

Costs refer to Telecommunication costs provided to Ferragamo Retail Hong Kong Limited.

Times Square Ltd.

Costs refer to the rental lease of the retail store in Hong Kong.

Wharf Realty Ltd.

Costs refer to the rental lease of a retail store in Hong Kong.

Lane Crawford Ltd.

Costs refer to the rental lease of the outlet store in Honk Kong. Receivables are due to guarantee deposits.

Wheelock Travel Ltd.

Costs refer to the supply of occasional travel services.

Imaginex Beauty Ltd.

Payables refer to the supply of non-recurring marketing services.

Xiamen Dongfang Hotel Co., Ltd.

Costs mainly refer to the rental lease for the retail shop in Marco Polo Hotel and to commercial and administrtaive expenses for the shop; the receivables mainly refer to guarantee deposits received by Ferragamo Fashion Trading Shanghai .

Imaginex (Shanghai) Commercial Co. Ltd.

Costs refer to information technology services provided to the companies Ferragamo Moda Shanghai Limited and Ferragamo Fashion Trading Shanghai Limited.

Shanghai Wheelock square Development Co. Ltd.

Receivables refer to the sales of products performed by Ferragamo Fashion Trading Shanghai Co. Limited and to prepaid rental fees for a retail store in Shanghai.

49. Related party transactions (Continued)

Shanghai Harriman Property Management Co. Ltd.

Receivables refer to prepaid property management fees paid by Ferragamo Fashion Trading Shanghai Co. Limited for the retail store in Shanghai.

Shanghai Longxing Property Development Co. Ltd.

Costs and payables refer to the rental lease of a retail store in Shanghai. Receivables refer to guarantee deposits and prepaid rental lease paid by Ferragamo Moda Shanghai Co. Limited.

Shanghai Times SquareProperty Management (Shanghai) Co. Ltd.

Costs and receivables refer respectively to property management fees for a retail store in and to related guarantee deposits.

Studio Legale Portale Visconti

Costs and trade payables refer to consulting services provided to the Company and other Group's companies.

Giacomo Ferragamo (alias known as James Ferragamo)

Costs refer to the costs incurred by the Company in connection with the employment contract between Giacomo Ferragamo and the Company, including the variable bonus.

Angelica Visconti

Costs refer to the costs incurred by the Company in connection with the employment contract between Angelica Visconti and the Company, including the variable bonus.

The following tables set forth the incidence of the costs of related parties and of Directors on the statement of financial position as of December 31, 2010 and March 31, 2011 and on the statement of income for the three months period ended March 31, 2010 and 2011

Statement of financial position	As of December 31, 2010	Related parties	%
	(in thousands of Euro)		
Non-current assets			
Trade receivables	75,377	35	0.05%
Other receivables	23,213	1,677	7.22%
Total current assets	**421,310**	**1,712**	**0.41%**
Total Assets	**626,261**	**1,712**	**0.27%**
Trade payables	103,607	53	0.05%
Other payables	18,971	10, 832	22.12%
Total current liabilities	**331,951**	**10,885**	**3.28%**
Total liabilities and shareholders' equity	**626,261**	**10,885**	**1.74%**

49. Related party transactions (Continued)

Statement of financial position	As of March 31, 2011	Related parties	%
	(in thousands of Euro)		
Non-current assets			
Trade receivables	71,388	2,383	3.34%
Other receivables	28,885	218	0.75%
Total current assets	**410,535**	**2,601**	**0.63%**
Total Assets	**609,533**	**2,601**	**0.43%**
Other non-current liabilities	39,332	39,309	99.94%
Total non-current liabilities	**94,261**	**39,309**	**41.70%**
Trade payables	121,786	167	0.14%
Loans and borrowings	115,866	848	0.73%
Other payables	89,580	29,731	33.19%
Total current liabilities	**343,706**	**30,746**	**8.95%**
Total liabilities and shareholders' equity	**609,533**	**70,055**	**11.49%**

49. Related party transactions (Continued)

Statement of income	For the three months period ended March 31, 2010	Related parties	Directors	Total	%
	(in thousands of Euro)				
Revenue from sales and services	162,806	344		344	0.21%
Income from rental of investment properties	2,141			—	—
Cost of sales	(62,300)			—	—
Gross profit	**102,647**	**344**	**—**	**344**	**0.34%**
Other operating income	1,504	14		14	0.93%
Style, development products and logistic costs	(6,402)	(1)		(1)	0.02%
Sales and distribution costs	(57,076)	(977)		(977)	1.71%
Communication and marketing costs	(10,648)	(5)		(5)	0.05%
General and administrative expenses	(14,810)	(835)	(424)	(1,259)	8.50%
Other operating expenses	(2,005)	(4)		(4)	0.20%
Operating income	**13,210**	**(1,464)**	**(424)**	**(1,888)**	
Financial expenses	(5,624)			—	—
Financial income	7,620			—	—
Share of profit of associates	99			—	—
Income before income taxes	**15,305**	**(1,464)**	**(424)**	**(1,888)**	
Income taxes	(4,533)			—	—
Net income for the period	**10,772**	**(1,464)**	**(424)**	**(1,888)**	
Net income for the period attributable to owners of the parent	9,066	(1,464)	(424)	(1,888)	—
Net-income attributable to non-controlling interests shareholders	1,706			—	

49. Related party transactions (Continued)

Statement of income	For the three months period ended March 31, 2011	Related parties	Directors	Total	%
	(in thousands of Euro)				
Revenue from sales and services	208,512	530		530	0.25%
Income from rental of investment properties	1,839			—	—
Cost of sales	(80,464)			—	—
Gross profit	**129,887**	**530**	**—**	**530**	**0.41%**
Other operating income	1,997	13		13	0.65%
Style, development products and logistic costs	(7,411)	(100)		(100)	1.35%
Selling and distribution costs	(66,141)	(1,217)		(1,217)	1.84%
Communication and marketing costs	(13,509)	(3)		(3)	0.02%
General and administrative expenses	(19,527)	(641)	(2,362)	(3,003)	15.38%
Other operating expenses	(4,267)	(5)		(5)	0.12%
Operating income	**21,029**	**(1,287)**	**(2,362)**	**(3,649)**	
Financial expenses	(6,491)	(95)		(95)	1.46%
Financial income	1,446			—	—
Share of profit of associates	229			—	—
Income before income taxes	**16,213**	**(1,382)**	**(2,362)**	**(3,744)**	
Income taxes	(752)			—	—
Net income for the period	**15,461**	**(1,382)**	**(2,362)**	**(3,744)**	
Net income for the period attributable to owners of the parent	12,099	(1,382)	(2,362)	(3,744)	
Net-income attributable to non-controlling interests shareholders	3,362			—	—

50. Guarantees, commitments and contingent liabilities

The table below sets forth the guarantees, commitments and contingent liabilities as of December 31, 2010 and as of March 31, 2011.

	As of December 31, 2010	As of March 31, 2011
	(in thousands of euro)	
Sureties by third parties/Group's companies in favor of Group's companies/third parties	6,924	6,363
Guarantees by third parties in favor of the Group's companies	1,441	1,840
Guarantees by the Group's companies in favor of third parties	8,724	11,624
Total	**17,089**	**19,827**

51. Financial data of subsidiaries

The table below sets forth the main financial data for each subsidiary for the three months period ended March 31, 2010 and 2011.

		As of and for the three months period ended March 31, 2010			As of and for the three months period ended March 31, 2011		
Company	Currency	Revenue	Net income/loss	Shareholders' equity	Revenue	Net income/loss	Shareholders' equity
		(in currency/000)					
Ferragamo Australia Ltd	AUD	1,805	(382)	6,090	2,243	(224)	5,866
M Mendrisio Moda SA	CHF	1,193	(172)	—	—	—	—
Ferragamo Japan KK	JPY	3,171,633	(90,669)	2,389,235	2,985,686	(90,872)	2,298,363
Ferragamo Korea Ltd	KWON	16,681,199	1,595,760	49,756,913	21,013,569	2,903,491	44,160,404
Ferragamo Espana S.L.	Euro	1,456	(270)	2,528	1,962	(107)	2,421
Ferragamo Latin America Inc	USD	177	(223)	1,783	223	(70)	1,713
Ferragamo St. Thomas Inc	USD	110	(45)	(639)	170	(44)	(683)
Ferrimag Limited	HKD	—	(40)	124,081	—	374,201	127,001
Ferragamo Retail HK Ltd	HKD	90,164	5,446	110,918	123,040	20,819	63,877
Ferragamo Retail Taiwan Ltd	TWD	139,985	10,217	304,169	172,257	25,736	178,392
Ferragamo Mexico SL de CV	MXN	60,701	2,409	74,343	84,657	6,672	81,015
Ferragamo Retail Nederland BV	Euro	420	(38)	(141)	655	(64)	(205)
Ferragamo Fashion Trading Shanghai Ltd	CNY	130,574	18,851	244,624	183,957	30,936	33,420
Ferragamo Singapore	SGD	3,728	71	6,219	5,839	(88)	6,131
Ferragamo Thailand	THB	23,930	(2,160)	(1,935)	32,726	520	(1,415)
Ferragamo Malaysia	MYR	4,160	197	16,300	4,913	583	16,883
Ferragamo HK Ltd	USD	36,059	3,982	120,549	44,679	27,153	147,701
Ferragamo USA Inc	USD	41,916	(3,006)	57,419	53,921	(955)	56,473
Ferragamo Deutschland GmbH	Euro	1,255	(303)	3,253	1,988	203	3,456
Ferragamo Belgique SA	Euro	329	(18)	845	7	(183)	662
Ferragamo Montecarlo SAM	Euro	226	(46)	209	337	(6)	202
Ferragamo Suisse SA	CHF	1,203	(205)	1,713	2,755	198	1,911
Ferragamo UK Ltd	GBP	2,573	(21)	3,843	2,805	244	4,088
Ferragamo France SAS	Euro	3,544	(707)	3,599	4,830	(62)	3,536
Ferragamo Parfums SpA	Euro	10,399	207	8,609	14,027	710	9,313
Ferragamo International BV	Euro	8	(1,496)	—	—	—	—
Ferragamo Chile SA	CLP	132,130	(50,679)	615,309	119,433	5,270	620,580
Ferragamo Austria GmbH	Euro	474	58	1,307	690	155	1,462
Ferragamo Parfum SA	CHF	—	(2)	632	—	20	652
Ferragamo Retail India Private Ltd	INR	60,383	(10,768)	(56,479)	80,428	(22,280)	(78,760)
Ferragamo Retail Macau Ltd	MOP	9,351	994	4,808	19,000	5,220	5,257
Ferragamo Moda Shangai Ltd	CNY	33,673	1,450	22,512	47,461	6,631	18,890
Ferragamo Argentina SA	ARS	949	33	(2,424)	1,031	(895)	(3,320)

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