# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# Form 8-K/A
# (Amendment No. 1)

**CURRENT REPORT**
**PURSUANT TO SECTION 13 OR 15(D)**
**OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of Report (Date of earliest event reported): December 31, 2018**

CAPRI
HOLDINGS LIMITED
**(Exact name of Registrant as Specified in its Charter)**

**001-35368**
**(Commission File Number)**

| | |
|---|---|
| **British Virgin Islands** | **N/A** |
| **(State or other jurisdiction of incorporation)** | **(I.R.S. Employer Identification No.)** |

**33 Kingsway**
**London, United Kingdom**
**WC2B 6UF**
**(Address of Principal Executive Offices)**

**44 207 632 8600**
**(Registrant's telephone number, including area code)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

**Introductory Note.**

On December 31, 2018, Capri Holdings Limited (formerly named Michael Kors Holdings Limited, the "Company") completed its previously announced acquisition (the "Acquisition") of Gianni Versace S.p.A. ("Versace"), through the acquisition, directly and indirectly, of all outstanding equity interests of Versace. The Acquisition was completed pursuant to the terms and conditions of the Stock Purchase Agreement, dated as of September 24, 2018 (the "Purchase Agreement"), by and among the Company, certain members of the Versace family and certain affiliates of The Blackstone Group L.P., and the related Stock Purchase Agreement, dated as of September 24, 2018, by and among the Company and certain management members of Versace. The Acquisition included the acquisition of 100% of the outstanding equity interests of GIVI Holding S.p.A., which was subsequently converted to GIVI Holding S.r.l. ("GIVI"), which directly held approximately 80% of the outstanding equity interests of Versace immediately prior to the completion of the Acquisition. The aggregate purchase price paid by the Company for the Acquisition was based on an enterprise value for Versace of €1.83 billion (or approximately US$2.12 billion) on the date of announcement, or total consideration of approximately €1.753 billion (or approximately US$2.005 billion) as of December 31, 2018, including the fair value of approximately 2.4 million Company shares issued to the Versace family at Acquisition.

On December 31, 2018, the Company filed a Current Report on Form 8-K (the "Original Report") with the Securities and Exchange Commission (the "SEC") to report the completion of the Acquisition. This Amendment No. 1 amends Item 9.01 of the Original Report to present certain financial statements and certain pro forma financial information in connection with the Acquisition that are required by Items 9.01(a) and 9.01(b), respectively, of Form 8-K. Except for the foregoing, this Amendment No. 1 does not modify or update any other disclosure contained in the Original Report.

**Item 9.01 Financial Statements and Exhibits.**

**(a) Financial statements of business acquired.**

The historical audited consolidated financial statements of GIVI as of December 31, 2017 and 2016 and for the three fiscal years ended December 31, 2017, 2016 and 2015 are filed herewith as Exhibit 99.1 and incorporated herein by reference.

The historical unaudited condensed consolidated financial statements of GIVI as of September 30, 2018, and 2017 and for the nine months ended September 30, 2018 and 2017 are filed herewith as Exhibit 99.2 and incorporated herein by reference.

The historical financial statements for GIVI are being included in this filing, as GIVI directly held approximately 80% of the outstanding equity interests in Versace immediately prior to the completion of the Acquisition.

**(b) Pro forma financial information.**

Unaudited pro forma condensed consolidated financial statements of the Company, giving effect to the Acquisition and related financing transactions, as of and for the nine months ended December 29, 2018 and for the fiscal year ended March 31, 2018, are filed herewith as Exhibit 99.3 and incorporated herein by reference.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Current Report on Form 8-K (the "Current Report") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other securities laws. The forward-looking statements involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements. Although the Company believes that its forward-looking statements are based on reasonable assumptions, expected results may not be achieved, and actual results may differ materially from its expectations.

The Company's forward-looking statements should not be relied upon except as statements of the Company's present intentions and of the Company's present expectations, which may or may not occur. Cautionary statements should be read as being applicable to all forward-looking statements wherever they appear. Except as required by law, the Company undertakes no obligation to release publicly the result of any revision to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers are also urged to carefully review and consider the various disclosures the Company has made in this Current Report, as well as the Company's other filings with the the SEC. In particular, see the Company's Annual Report on Form 10-K, filed with the SEC on May 30, 2018, and Quarterly Report on Form 10-Q, filed with the SEC on February 7, 2019, copies of which are available upon request from the Company. The Company does not assume any obligation to update the forward looking information contained in this Current Report.

| EXHIBIT NUMBER | EXHIBIT DESCRIPTION |
|---|---|
| 23.1 | Consent of PricewaterhouseCoopers SpA., independent accountant to GIVI Holding S.r.l. |
| 99.1 | The historical audited consolidated financial statements of GIVI Holding S.r.l. as of December 31, 2017 and 2016 and for the three fiscal years ended December 31, 2017, 2016 and 2015. |
| 99.2 | The historical unaudited condensed consolidated financial statements of GIVI Holding S.r.l. as of September 30, 2018 and 2017 and for the nine months ended September 30, 2018 and 2017. |
| 99.3 | Unaudited pro forma condensed consolidated financial statements of Capri Holdings Limited, giving effect to the acquisition of GIVI Holding S.r.l. and related financing transactions, as of and for the nine months ended December 29, 2018 and for the fiscal year ended March 31, 2018. |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**CAPRI HOLDINGS LIMITED**

Date: March 15, 2019

| | |
|---|---|
| By: | /s/ Thomas J. Edwards, Jr. |
| Name: | Thomas J. Edwards, Jr. |
| Title: | Executive Vice President, Chief Financial Officer and Chief Operating Officer |

**Exhibit 23.1**

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-178486) of Capri Holdings Limited of our report dated 28 December 2018 relating to the consolidated financial statements of GIVI Holding S.r.l which appears in this Current Report on Form 8-K/A.

/s/ PricewaterhouseCoopers SpA

Milan, Italy

14 March 2019

**Exhibit 99.1**

## Report of Independent Auditors

To the Board of Directors of
GIVI Holding SpA

We have audited the accompanying consolidated financial statements of GIVI Holding SpA and its subsidiaries, which comprise the consolidated statement of financial position as of 31 December 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in consolidated shareholders' equity, and of cash flow for each of the three years in the period ended 31 December 2017.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as issued by the IASB; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GIVI Holding SpA and its subsidiaries as of 31 December 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended 31 December 2017, in accordance with IFRS as issued by the IASB.

/s/ PricewaterhouseCoopers SpA

Milan, Italy

28 December 2018

**GIVI Holding S.r.l. and subsidiaries**

**Consolidated statement of financial position**
**As of 31 December 2017 and 2016**

| | Notes | *As of 31 December 2017* *€thousand* | *As of 31 December 2016* *€thousand* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets:** | | | |
| Intangible assets | 7.1 | 32,436 | 35,520 |
| Property, plant and equipment | 7.2 | 152,205 | 166,943 |
| Deferred tax assets | 7.3 | 41,774 | 40,175 |
| Other receivables and other non-current assets | 7.4 | 26,137 | 29,446 |
| **Total non-current assets** | | **252,552** | **272,084** |
| **Current assets:** | | | |
| Trade receivables | 7.5 | 72,009 | 75,762 |
| Inventories | 7.6 | 147,268 | 138,055 |
| Current tax assets | 7.7 | 22,554 | 18,187 |
| Other receivables and other current assets | 7.8 | 16,913 | 13,191 |
| Current financial assets | 7.8 | 4,062 | 660 |
| Cash and cash equivalents | 7.9 | 30,269 | 37,619 |
| **Total current assets** | | **293,075** | **283,474** |
| **TOTAL ASSETS** | | **545,627** | **555,558** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **Shareholders' equity** | | | |
| Share capital | 7.10 | 10,000 | 10,000 |
| Share premium reserve | 7.10 | 2,014 | 2,014 |
| Other reserves | 7.10 | 193,668 | 227,330 |
| Profit/(Loss) for the year | | 11,678 | (6,938) |
| **Equity attributable to owners of the parent** | | **217,360** | **232,406** |
| Non-controlling interests | | 46,532 | 50,030 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **263,892** | **282,436** |
| **Non-current liabilities:** | | | |
| Provisions for risks and charges | 7.11 | 14,295 | 17,253 |
| Employee benefit obligations | 7.12 | 3,039 | 3,337 |
| Deferred tax liabilities | 7.13 | 7,950 | 7,925 |
| Bank borrowings and other financial liabilities | 7.14 | 52,368 | 51,418 |
| Other payables and other non-current liabilities | 7.15 | 28,585 | 30,299 |
| **Total non-current liabilities** | | **106,237** | **110,232** |
| **Current liabilities:** | | | |
| Trade payables | 7.16 | 113,644 | 114,554 |
| Current tax liabilities | 7.17 | 8,755 | 2,385 |
| Bank borrowings and other financial liabilities | 7.14 | 19,606 | 14,725 |
| Other payables and other current liabilities | 7.18 | 33,493 | 31,226 |
| **Total current liabilities** | | **175,498** | **162,890** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **545,627** | **555,558** |

**Consolidated statement of comprehensive income**
**For the Years Ended 31 December 2017, 2016 and 2015**

| | Notes | *For the Years Ended* 31 December 2017 €thousand | 31 December 2016 €thousand | 31 December 2015 €thousand |
|---|---|---|---|---|
| Revenues | 8.1 | 667,984 | 668,695 | 645,002 |
| Other income | 8.2 | 5,863 | 4,605 | 4,508 |
| **Total revenues and income** | | **673,847** | **673,300** | **649,510** |
| Raw materials (including change in stocks) | 8.3 | 105,975 | 129,480 | 101,296 |
| Cost of services | 8.4 | 385,721 | 366,749 | 349,602 |
| Personnel costs | 8.5 | 130,735 | 125,201 | 111,080 |
| Amortization, depreciation and impairment | 8.6 | 39,915 | 41,508 | 39,206 |
| Other costs | 8.7 | 5,226 | 5,878 | 5,144 |
| **Total costs** | | **667,572** | **668,816** | **606,328** |
| **Operating profit** | | **6,275** | **4,484** | **43,182** |
| Financial income (charges), net | 8.8 | 8,612 | (11,774) | (14,353) |
| **Profit/(Loss) before taxes** | | **14,887** | **(7,290)** | **28,829** |
| Taxes | 8.9 | 83 | 737 | 17,624 |
| **Net income (A)** | | **14,804** | **(8,027)** | **11,205** |
| *Attributable to:* | | | | |
| - Owners of the parent | | 11,678 | (6,938) | 7,486 |
| - Minority interests | | 3,126 | (1,089) | 3,719 |
| **Items of comprehensive income that will be subsequently recycled to the income statement** | | | | |
| Differences on translation of financial statements of foreign entities | | (21,148) | 3,763 | 7,158 |
| **Items of comprehensive income that will not be subsequently recycled to the income statement** | | | | |
| Gains/(Losses) from remeasurements of defined benefit plans | | 98 | (30) | 107 |
| Tax effect on income/(loss) from remeasurements of defined benefit plans | | (10) | 14 | (33) |
| **Total items of comprehensive income (B)** | | **(21,060)** | **3,747** | **7,232** |
| **Total comprehensive income of the period (A+B)** | | **(6,256)** | **(4,280)** | **18,437** |
| *Attributable to:* | | | | |
| - Owners of the parent | | (5,064) | (3,970) | 13,352 |
| - Minority interests | | (1,192) | (310) | 5,085 |

**Consolidated statement of cash flow**
**For the Years Ended 31 December 2017, 2016 and 2015**

| | | *For the Years Ended* | | |
|---|---|---|---|---|
| | *Notes* | *31 December 2017* *€thousand* | *31 December 2016* *€thousand* | *31 December 2015* *€thousand* |
| **Profit/(Loss) before taxes** | | **14,887** | **(7,290)** | **28,829** |
| | | | | |
| Depreciation, amortization and impairment of fixed assets and receivables | 7.1 | 39,915 | 41,508 | 39,206 |
| Net provisions | 7.11 | 5,629 | 2,588 | 4,384 |
| Financial charges/(income), net (excluding exchange gains/losses) | 8.8 | (2,877) | 8,162 | 7,521 |
| Other non-monetary changes | | - | - | 258 |
| Charge to/(Release of) provision for obsolescence | 7.6 | (7,855) | (1,021) | - |
| Gain on disposal of key money | 7.1 | (2,860) | - | - |
| | | | | |
| *Changes in:* | | | | |
| Inventories | 7.6 | (8,936) | 9,419 | (23,194) |
| Trade and other receivables | 7.5, 7.8, 7.4 | (4,635) | (170) | (3,706) |
| Trade and other payables | 7.16, 7.18, 7.15 | 2,468 | 14,897 | 16,236 |
| Provisions for risks and charges | 7.11 | (2,756) | (1,785) | (7,662) |
| Provision for employee benefits | 7.12 | (202) | (50) | (140) |
| Interest paid | 8.8 | (8,593) | (5,942) | (5,960) |
| Interest received | 8.8 | 582 | 657 | 27 |
| Income taxes paid | 8.9 | (5,372) | (14,511) | (25,599) |
| **Cash generated from (used in) operating activities** | | **19,395** | **46,462** | **30,200** |
| Investment | | | | |
| Additions to tangible assets | 7.2 | (23,744) | (43,215) | (48,097) |
| Additions to intangible assets | 7.1 | (4,909) | (5,055) | (8,201) |
| Disinvestment | | | | |
| Disposals of tangible assets | 7.2 | - | 654 | (334) |
| Disposals of intangible assets | 7.1 | 3,443 | - | - |
| (Increase)/Decrease in financial receivables | 7.8 | - | - | 1,403 |
| Deconsolidation Immagine Srl | | - | - | (4) |
| **Cash generated from (used in) investing activities** | | **(25,210)** | **(47,616)** | **(55,233)** |
| | | | | |
| Proceeds from borrowings | 7.14 | 18,074 | 13,000 | 20,000 |
| Repayment of borrowings | 7.14 | (5,820) | (5,674) | (51,325) |
| Increase/(Decrease) in other financial debts | 7.14 | 794 | 2,419 | (1,758) |
| Capital increase net of treasury shares buyback | 7.10 | (686) | 613 | 40,832 |
| Capital increase Versace Australia | | - | - | 500 |
| Liquidation of Verim S.A. | | (872) | - | - |
| Liquidation of Veze Srl | 7.10 | - | - | (572) |
| Dividends paid | 7.10 | (10,204) | (5,775) | (6,554) |
| **Cash generated from (used in) financing activities** | | **1,286** | **4,583** | **1,123** |
| **Net cash flow of the period** | | **(4,529)** | **3,429** | **(23,910)** |
| **Cash and cash equivalents at the beginning of the period** | 7.9 | **37,619** | **33,805** | **57,527** |
| **Net cash flow of the period** | | **(4,529)** | **3,429** | **(23,910)** |
| **Exchange differences** | | **(2,821)** | **385** | **188** |
| **Cash and cash equivalents at the end of the period** | 7.9 | **30,269** | **37,619** | **33,805** |

## Statement of changes in consolidated shareholders' equity
## For the Years Ended 31 December 2017, 2016 and 2015

| | *Notes* | *Share capital* | *Share premium reserve* | *Legal reserve* | *Other reserves* | *Translation differences* | *Profit/ (Loss) for the year* | *Equity attributable to owners of the parent* | *Non-controlling interests* | *Total shareholders' equity* |
|---|---|---|---|---|---|---|---|---|---|---|
| | | *€thousand* | *€thousand* | *€thousand* | *€thousand* | *€thousand* | *€thousand* | *€thousand* | *€thousand* | *€thousand* |
| **31 December 2014** | | **10,000** | **2,014** | **2,000** | **170,912** | **5,798** | **16,926** | **207,650** | **37,278** | **244,928** |
| Appropriation of profit/(loss) for the year | | - | - | - | 16,926 | - | (16,926) | - | - | **-** |
| Capital increase due to minority interests contribution | *7.10* | - | - | - | 26,607 | - | - | 26,607 | 14,225 | **40,832** |
| ***Transactions with shareholders*** | | | | | | | | | | |
| Dividend distribution | *7.10* | - | - | - | (5,000) | - | - | (5,000) | (1,554) | **(6,554)** |
| Deconsolidation of Immagine Srl | | - | - | - | - | - | - | - | (2,322) | **(2,322)** |
| Liquidation of Veze Srl | | - | - | - | - | - | - | - | (572) | **(572)** |
| Disposal 30% of Versace Australia and related put option | | - | - | - | (2,644) | - | - | (2,644) | (226) | **(2,870)** |
| **Profit/(Loss) for the year** | | - | - | - | - | - | 7,486 | 7,486 | 3,719 | **11,205** |
| ***Other items of comprehensive income*** | | | | | | | | | | |
| Gains/(Losses) from remeasurements of defined benefit plans | | - | - | - | 59 | - | - | 59 | 15 | **74** |
| Differences from translation of foreign entities' financial statements | | - | - | - | - | 5,807 | - | 5,807 | 1,351 | **7,158** |
| **Profit/(Loss) for the year including other items of comprehensive income** | | **-** | **-** | **-** | **59** | **5,807** | **7,486** | **13,352** | **5,085** | **18,437** |
| **31 December 2015** | | **10,000** | **2,014** | **2,000** | **206,860** | **11,605** | **7,486** | **239,965** | **51,913** | **291,878** |
| Appropriation of profit/(loss) for the year | | - | - | - | 7,486 | - | (7,486) | - | - | **-** |
| Capital increase due to minority interests contribution | *7.10* | - | - | - | 679 | - | - | 679 | 332 | **1,011** |
| Repurchase of treasury shares | *7.10* | - | - | - | (268) | - | - | (268) | (130) | **(398)** |
| ***Transactions with shareholders*** | | | | | | | | | | |
| Dividend distribution | *7.10* | - | - | - | (4,000) | - | - | (4,000) | (1,775) | **(5,775)** |
| **Profit/(Loss) for the year** | | - | - | - | - | - | (6,938) | (6,938) | (1,089) | **(8,027)** |
| ***Other items of comprehensive income*** | | | | | | | | | | |
| Gains/(Losses) from remeasurements of defined benefit plans | | - | - | - | (28) | - | - | (28) | 11 | **(17)** |
| Differences from translation of foreign entities' financial statements | | - | - | - | - | 2,996 | - | 2,996 | 767 | **3,763** |
| **Profit/(Loss) for the year including other items of comprehensive income** | | - | - | - | **(28)** | **2,996** | **(6,938)** | **(3,970)** | **(310)** | **(4,280)** |
| **31 December 2016** | | **10,000** | **2,014** | **2,000** | **210,729** | **14,601** | **(6,938)** | **232,406** | **50,030** | **282,436** |
| Appropriation of profit/(loss) for the year | | - | - | - | (6,938) | - | 6,938 | - | - | **-** |
| Repurchase of treasury shares | *7.10* | - | - | - | (456) | - | - | (456) | (230) | **(686)** |
| ***Transactions with shareholders*** | | | | | | | | | | |
| Dividend distribution | *7.10* | - | - | - | (9,000) | - | - | (9,000) | (2,076) | **(11,076)** |
| **Other movements** | *7.10* | - | - | - | (526) | - | - | (526) | - | **(526)** |
| **Profit/(Loss) for the year** | | - | - | - | - | - | 11,678 | 11,678 | 3,126 | **14,804** |
| ***Other items of comprehensive income*** | | | | | | | | | | |
| Gains/(Losses) from remeasurements of defined benefit plans | | - | - | - | 50 | - | - | 50 | 38 | **88** |
| Differences from translation of foreign entities' financial statements | | - | - | - | - | (16,792) | - | (16,792) | (4,356) | **(21,148)** |
| **Profit/(Loss) for the year including other items of comprehensive income** | | - | - | - | **50** | **(16,792)** | **11,678** | **(5,064)** | **(1,192)** | **(6,256)** |
| **31 December 2017** | | **10,000** | **2,014** | **2,000** | **193,859** | **(2,191)** | **11,678** | **217,360** | **46,532** | **263,892** |

# Notes to the consolidated financial statements

**For the Years Ended 31 December 2017, 2016 and 2015**

## 1 General

GIVI Holding S.p.A. (the "Company" or "GIVI Holding") and its subsidiaries ("GIVI Group" or the "Group") is a worldwide leader in the luxury sector, where, under its proprietary trademarks, it creates, manufactures, distributes and markets also by means of licensing agreements with third parties luxury goods ranging from the Haute Couture collections of Atelier Versace to ready-to-wear collections, from jewelry to fragrances, from home furnishings to porcelain tableware collections, to interior design. The Group's products are distributed worldwide through a network of highly specialized stores consisting mainly of DOS (Directly Operated Stores), franchised stores and a number of independent multi-brand stores, department stores and duty-free shops.

GIVI Holding is a company incorporated and domiciled in Italy and organized under the laws of the Italian Republic, with registered office in Milan, Via Manzoni, 38. As of 31 December 2017, 2016 and 2015 the Company's ownership structure was as follows:

| *Share capital* | *31 December 2017* | | *31 December 2016* | | *31 December 2015* | |
|---|---|---|---|---|---|---|
| | *No. of shares* | *%* | *No. of shares* | *%* | *No. of shares* | *%* |
| Versace Santo | 3,000,000 | 30.00% | 3,000,000 | 30.00% | 3,000,000 | 30.00% |
| Versace Donatella | 2,000,000 | 20.00% | 2,000,000 | 20.00% | 2,000,000 | 20.00% |
| Versace Beck Allegra Donata | 5,000,000 | 50.00% | 5,000,000 | 50.00% | 5,000,000 | 50.00% |
| Borgo Luxembourg S.à.r.l. | 1 | 0.00% | 1 | 0.00% | 1 | 0.00% |
| **Total** | **10,000,001** | **100.00%** | **10,000,001** | **100.00%** | **10,000,001** | **100.00%** |

## 2 Summary of reporting standards adopted

### 2.1 Basis of preparation

These Consolidated Financial Statements have been prepared in accordance with international Financial Reporting Standards as issued by the International Accounting Standard Board ("IFRSs"), as they apply to the consolidated financial statements for the year ended 31 December 2017. The Consolidated Financial Statements have been prepared in accordance with the going concern basis of accounting and using the historical cost convention, except for certain line items that are recognized at fair value, in compliance with International Financial Reporting Standards.

These consolidated financial statements for the years ended 31 December 2017, 2016 and 2015 (the "Three-years Consolidated Financial Statements") have been drawn up on the basis of the information known as at the dates of preparation the annual consolidated financial statements of GIVI Holding for each of the years ended 31 December 2017, 2016 and 2015, respectively.

These Consolidated Financial Statements were approved by the Company's Board of Directors on 21 December 2018.

## 2.2 Layout and content of the financial statements

With regard to the layout and content of the individual financial statements, the Group has made the following choices:

i) The consolidated statement of financial position presents current and non-current assets and current and non-current liabilities in separate sections;
ii) The consolidated statement of comprehensive income classifies costs and revenues by nature; and
iii) The consolidated statement of cash flows is presented using the indirect method.

The Group has opted to prepare a statement of comprehensive income which includes, in addition to the profit or loss for the year, changes in shareholders' equity relating to items of income or expense that are recognized in equity as expressly required by IFRS.

The layouts used, as specified above, are those that best present the Group's results of operations, financial position and cash flows.

The Consolidated Financial Statements are presented in euro, the Group's functional currency.

The amounts in the primary financial statements and those in the tables included in the explanatory notes are expressed in thousands of euro, unless otherwise specified.

## 2.3 Consolidation area and changes therein

The Consolidated Financial Statements include the financial statements of the Company and the financial statements of its subsidiaries. The latest financial statements have been adjusted, where necessary, to conform to the financial reporting standards applied by the Company.

Below is a list of the entities whose financial statements have been included in the consolidation as of 31 December 2017, 2016 and 2015, with the respective registered office, capital stock, percentage held and consolidation method used in the preparation of the Group's Consolidated Financial Statements.

| Legal name | Registered office | Functional currency | Capital (currency unit) | Percentage held | | Consolidation method | Equity | Net profit/(loss) |
|---|---|---|---|---|---|---|---|---|
| | | | | Directly | Indirectly | | | |
| **GIVI Holding S.p.A.** | **Milan, Italia** | **Euro, EUR** | **10,000,001** | **Parent Company** | | | | |
| Gianni Versace SpA | Milan, Italia | Euro, EUR | 81,857,275 | 79.80% | - | Line by line | 240,069,156 | (7,969,735) |
| Creek Apartments Ltd | Dubai, UAE | UAE dirham, AED | 18,300,000 | - | 100% | Line by line | 10,870,960 | (203,971) |
| Verim S.r.l. | Milan, Italia | Euro, EUR | 10,000,000 | 100% | - | Line by line | 26,765,262 | 1,082,001 |
| Verim SA (a) | Luxemburg | Swiss franc, CHF | 500,000 | - | 60% | Line by line | 2,770,756 | 1,134,947 |
| Versace Macau Ltd (b) | Taipa, Macau | Macau pataca, MOP | 10,900,000 | - | 100% | Line by line | 400,023,914 | 14,801,655 |
| Versace Malaysia Sd. Bhd. (c) | Kuala Lumpur, Malaysia | Ringgit, MYR | 25,000,000 | - | 100% (whereof 30% through a trust company) | Line by line | 8,400,060 | 1,685,003 |
| Versace Taiwan Co. Ltd (d) | Taipei, Taiwan | Taiwan dollar, TWD | 192,100,000 | - | 100% | Line by line | 65,905,804 | 6,164,316 |
| Versace (Suisse) S.A. | Lugano, Switzerland | Swiss franc, CHF | 3,000,000 | - | 100% | Line by line | 3,473,098 | 128,370 |
| Versace Asia Pacific Ltd | Hong Kong, China | Hong Kong dollar, HKD | 378,192,322 | - | 100% | Line by line | 507,420,174 | 38,317,565 |
| Versace Belgique S.A. | Brusells, Belgium | Euro, EUR | 1,130,000 | - | 100% | Line by line | 1,368,910 | 154,124 |
| Versace China Ltd | Beijing,, China | Renminbi, CNY | 85,941,680 | - | 100% | Line by line | 356,495,499 | 55,970,915 |
| Versace Deutschland GmbH | Frankfurt, Germany | Euro, EUR | 20,020,832 | - | 100% | Line by line | 8,847,687 | 425,160 |
| Versace do Brasil - Importacao e Distribuicao de produtos de vestuario e acessorios LTDA | São Paulo, Brazil | Real, BRL | 44,834,069 | 0.05% | 99.95% | Line by line | 16,769,661 | 994,307 |
| Versace Espana S.A. | Madrid, Spain | Euro, EUR | 6,035,173 | - | 100% | Line by line | 6,653,229 | 355,736 |
| Versace Australia | Sydney, Australia | Australian dollar, AUD | 2,261,143 | - | 70% | Line by line | 2,771,139 | 146,902 |
| Versace Turchia | Istanbul, Turkey | Turkish lira, TRY | 10,300,000 | - | 100% | Line by line | 1,442,741 | (669,478) |
| Versace Hellas | Athens, Greece | Euro, EUR | 300,000 | - | 100% | Line by line | 190,386 | 43,051 |
| Versace Canada | Toronto, Canada | Canadian dollar, CND | 2,177,800 | - | 100% | Line by line | 3,164,204 | 313,177 |
| Versace France S.A. | Paris, France | Euro, EUR | 9,299,910 | - | 100% | Line by line | 13,135,472 | 5,053,838 |
| Versace Japan Co. Ltd | Tokyo, Japan | Yen, JPY | 90,000,000 | - | 100% | Line by line | 420,211,907 | 24,393,057 |
| Versace Korea Co. Ltd | Seoul, South Korea | South Korean Won, KRW | 1,000,000,000 | - | 70% | Line by line | 1,330,589,693 | 577,463,434 |
| Versace Singapore Ltd | Singapore | Singaporean dollar, SGD | 2,231,857 | - | 70% | Line by line | 2,059,972 | 427,392 |
| Versace UK Plc | London, UK | Pound sterling, GBP | 33,765,938 | - | 100% | Line by line | 8,170,306 | 825,264 |
| Versace USA Inc | New York, USA | US dollar, USD | 245,163,068 | - | 100% | Line by line | 59,747,896 | 4,212,982 |
| Veze France SA (e) | Paris, France | Euro, EUR | - | - | 100% | Line by line | - | - |
| Veze Srl (f) | Novara, Italy | Euro, EUR | 2,535,350 | - | 70% | Line by line | - | - |

(a) Put into liquidation during 2016

(b) During the 2016 and 2015 the company name was Modifin Macau Ltd

(c) During 2016 and 2015 the company name was Modifin Malaysia Sd. Bhd.

(d) During the 2016 and 2015 the company name was Modifin Taiwan Co. Ltd

(e) Merged in Versace France SA from January 1, 2016

(f) Put into liquidation during 2015

## 2.4 Basis of consolidation

The criteria adopted by the Group to define the entities whose financials statements are included in consolidation and the basis of consolidation are illustrated below.

### Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed to the variability of the entity's results and is able to influence those results through the exercise of power over the entity. Generally, control is presumed to exist when the Company holds, directly or indirectly, more than half of the voting rights, including also exercisable or convertible potential voting rights.

All subsidiaries are consolidated on a line-by-line basis from the date control is transferred to the Group. They are excluded from the consolidation when control ceases.

The Group uses the acquisition method to account for business combinations. Under this method:

i) The consideration transferred in a business combination is measured at fair value, calculated as the sum of the acquisition-date fair values of the assets transferred and liabilities assumed by the Group and the equity instruments issued in exchange for control of the acquiree. Transaction costs are recognized in the income statement as incurred;
ii) Upon acquisition, the identifiable assets acquired and liabilities assumed are recognized at their fair values at the acquisition date; exceptions are deferred tax assets and liabilities, employee benefit assets and liabilities, liabilities or equity instruments related to share-based payment transactions of the acquiree or share-based payments related to the group issued in replacement of the acquiree's agreements, and assets (or groups of assets and liabilities) held for sale, which are measured in accordance with the applicable financial reporting standard;
iii) Goodwill is measured as the difference between the aggregate of the consideration transferred in the business combination, the equity attributable to minority interests and the fair value of the acquirer's previously-held equity interest in the acquiree, if any, and the acquisition-date fair value of the net assets acquired and liabilities assumed. If the acquisition-date fair value of the net assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the equity attributable to minority interests and the fair value of the acquirer's previously-held equity interest in the acquiree, the excess amount is recognized immediately in profit or loss as a gain from the transaction;
iv) Any contingent consideration defined in the business combination agreement is measured at the acquisition-date fair value and included in the value of the consideration transferred in the business combination for the purpose of the calculation of goodwill.

In a business combination achieved in stages, the acquirer's previously-held equity interest is remeasured at fair value at the date control is acquired and any resulting gain or loss is recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, in the Consolidated Financial Statements the Group reports provisional amounts for the items for which recognition cannot be completed. Those provisional amounts are adjusted during the measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the assets and liabilities recognized as of that date.

There were no business combinations in the years ended 31 December 2017, 2016 and 2015.

**Translation of foreign currency financial statements**

The financial statements of subsidiaries are prepared using the currency of the primary economic environment in which they operate. Financial statements expressed in currencies other than the euro are translated on the following basis:

i) Assets and liabilities are translated at the exchange rates as of the closing date;
ii) Revenues and costs are translated at the average exchange rates for the year;
iii) The 'Foreign currency translation reserve' included in comprehensive income includes both the exchange differences arising from the translation of income items at an exchange rate other than that of the closing date and those generated from the translation of opening shareholders' equity at an exchange rate other than that of the closing date;

iv) Goodwill, if any, and fair value adjustments related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing date exchange rate.

Subsidiaries with a functional currency other than the euro included in the consolidation perimeter as of 31 December 2017, 2016 and 2015 are listed in Note 2.3 'Consolidation area and changes therein'.

The exchange rates applied to Euros in the translation of foreign currency financial statements are listed below:

| | *Average exchange rate for the year ended* | | |
|---|---|---|---|
| | ***31 December 2017*** | ***31 December 2016*** | ***31 December 2015*** |
| ***Currency*** | | | |
| Taiwan dollar | 34.364 | 35.689 | 35.250 |
| US dollar | 1.130 | 1.107 | 1.110 |
| Australian dollar | 1.473 | 1.488 | 1.478 |
| Canadian dollar | 1.465 | 1.466 | 1.419 |
| Swiss franc | 1.112 | 1.090 | 1.068 |
| Turkish lira | 4.121 | 3.343 | 3.025 |
| Pound sterling | 0.877 | 0.819 | 0.726 |
| Yen | 126.711 | 120.197 | 134.254 |
| Hong Kong dollar | 8.805 | 8.592 | 8.601 |
| Macau pataca | 9.069 | 8.851 | 8.861 |
| Ringgit | 4.853 | 4.584 | 4.337 |
| Renminbi | 7.629 | 7.352 | 6.973 |
| UAE dirham | 4.148 | 4.063 | 4.073 |
| Singaporean dollar | 1.559 | 1.528 | 1.525 |
| Real | 3.605 | 3.856 | 3.700 |
| South Korean won | 1,276.738 | 1,284.181 | 1,256.545 |

| | *Closing exchange rate as of* | | |
|---|---|---|---|
| | ***31 December 2017*** | ***31 December 2016*** | ***31 December 2015*** |
| ***Currency*** | | | |
| Taiwan dollar | 35.656 | 33.999 | 35.791 |
| US dollar | 1.199 | 1.054 | 1.089 |
| Australian dollar | 1.535 | 1.460 | 1.490 |
| Canadian dollar | 1.504 | 1.419 | 1.512 |
| Swiss franc | 1.170 | 1.074 | 1.084 |
| Turkish lira | 4.546 | 3.707 | 3.177 |
| Pound sterling | 0.887 | 0.856 | 0.734 |
| Yen | 135.010 | 123.400 | 131.070 |
| Hong Kong dollar | 9.372 | 8.175 | 8.438 |
| Macau pataca | 9.653 | 8.420 | 8.692 |
| Ringgit | 4.854 | 4.729 | 4.696 |
| Renminbi | 7.804 | 7.320 | 7.061 |
| UAE dirham | 4.404 | 3.870 | 3.997 |
| Singaporean dollar | 1.602 | 1.523 | 1.542 |
| Real | 3.973 | 3.431 | 4.312 |
| South Korean won | 1,279.610 | 1,269.360 | 1,280.780 |

**Foreign currency transactions**

Transactions in currencies other than the functional currency are recognized at the exchange rate of the trade date. Monetary assets and liabilities denominated in currencies other than the euro are subsequently adjusted to the exchange rate of the closing date.

Exchange differences arising from sales and purchases of finished products, raw materials and consumables and from transactions of a financial nature are classified in the income statement within ‘Financial income (charges), net’.

Non-monetary assets and liabilities denominated in currencies other than the euro are recognized at historical cost using the exchange rate of the date of initial recognition.

## 2.5 Accounting policies

**Intangible assets**

Intangible assets are identifiable non-monetary assets without physical substance, controlled by the Group and capable of generating future economic benefits. Those items are recognized at purchase and/or production cost, including costs directly attributable to the preparation of the asset for use, less accumulated amortization and any impairment losses.

Other intangible assets include mostly key money, i.e. amounts paid by the Group to take over leases of commercial properties in prime locations, as well as licenses, patents and software. Key money is normally amortized over the term of the lease, except where a legal right to refund exists, in particular for stores located in France where amounts paid are considered indefinite-lived and tested for impairment at least annually.

Amortization of intangible assets begins when an asset becomes available for use and is recognized systematically over the asset’s estimated useful life.

The useful lives estimated by the Group for the various categories of intangible assets are the following:

| | **Amortization rate** |
|---|---|
| Industrial and other patent rights | 33% |
| Key money | over the term of the lease |
| Brand and extensions thereof | 5% - 10% |
| *Other intangible assets:* | |
| - Concessions, licenses and similar rights | 33% |
| - Other deferred charges | 20% |

**Property, plant and equipment**

Property, plant and equipment is measured at purchase or production cost, less accumulated depreciation and any impairment losses. Cost includes all expenses directly incurred to make an asset ready for its intended use, as well as any costs of dismantling and removing the item that will be incurred as a consequence of contractual obligations to restore the asset to its original condition.

Ordinary and/or scheduled maintenance and repair costs are charged directly to profit or loss as incurred. Costs relating to the expansion, upgrading or improvement of freehold or leasehold structures are capitalized to the extent that they qualify as separate assets or parts thereof.

Leasehold improvements comprise costs incurred to furnish and upgrade the network of directly operated stores and all other properties not owned by the Group.

Depreciation is charged on a straight-line basis at rates that make it possible to depreciate the assets in full over their useful lives.

The useful lives estimated by the Group for the various categories of property, plant and equipment are the following:

| | **Depreciation rate** |
|---|---|
| Business operating properties | 3% |
| Plant and machinery | 12.5% - 30% |
| Industrial and commercial equipment | 15% - 25% |
| Leasehold improvements | over the shorter of the remaining term of the lease and the useful life of the improvements |
| *Other assets:* | |
| - Furniture, fixtures and furnishings | 12% - 15% |
| - Electronic office machines | 20% |
| - Vehicles | 25% |

**Finance leases**

Items of property, plant and equipment held under finance leases, which substantially transfer the risks and benefits of ownership to the Group, are recognized as assets at fair value or, if lower, at the present value of minimum future lease payments, including any amounts payable to exercise the purchase option. The assets are depreciated using the method and rates applicable to items of property, plant and equipment, unless the term of the lease is shorter than the useful life represented by the corresponding depreciation rates and there is not a reasonable certainty that ownership of the asset leased will be transferred on expiry of the lease agreement; in that event the depreciation period shall be equal to the term of the lease.

Leases in which the lessor substantially retains the risks and benefits of ownership of the assets are classified as operating leases. Minimum lease payments related to operating leases are recognized in the income statement on a straight-line basis over the lease term, taking into account any renewals when it is reasonably certain since the inception of the lease that the lessee shall exercise the renewal option. Contingent rent payments are recognized in the income statement when they occur.

**Impairment losses of intangible assets and property, plant and equipment**

The Group verifies the recoverability of the carrying amounts of intangible assets with finite lives and of property, plant and equipment at least annually, in order to determine if any indicators exist that the assets may have become impaired. If such indicators exist, the asset is tested for impairment and an impairment loss is recognized if the recoverable amount resulting from the test is lower than the asset’s carrying amount.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. An asset’s recoverable amount is the higher of its fair value less costs to sell and value in use. To determine the value in use of an asset, the Group calculates the present value of the estimated future cash flows expected to be derived from an asset or CGU, before tax, applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the recoverable amount is lower than the carrying amount.

When the circumstances that gave rise to an impairment loss no longer exist, the carrying amount of the asset is increased up to its recoverable amount. This cannot exceed the value that would have been determined if no impairment loss had been recognized. The reversal of an impairment loss is recognized immediately in profit or loss.

**Trade and other current and non-current receivables**

Trade and other current and non-current receivables (financial assets) are non-derivative financial instruments, mostly trade receivables, with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are classified in current assets on the statement of financial position, except for those falling due after one year from the reporting date, which are classified in non-current assets.

These financial assets are recognized as assets when the Group becomes party to the related agreements. Purchases and sales of financial assets are accounted for on the settlement date.

Financial assets are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment losses.

Impairment losses on receivables are recognized in the income statement when there is objective evidence that the Group will not be able to recover the receivable on the basis of the contractual terms.

The amount of the impairment is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows.

Receivables are reported net of the related allowance for bad debts.

The recognition of factoring transactions is subject to the requirements of IAS 39 for the derecognition of financial assets. Consequently, all receivables transferred to factors are maintained on the statement of financial position if the factoring agreement contains clauses that involve the Company maintaining a significant exposure to the cash flows from the receivables factored.

**Inventories**

Inventories are measured at the lower of purchase and/or production cost, determined using the weighted average cost method, and net realizable value. Purchase cost includes ancillary charges relating to purchases during the period; production cost includes directly attributable charges and a portion of overhead costs reasonably attributable to the products. Net realizable value is the estimated selling price less the estimated costs to complete and the estimated costs to sell the product.
Where necessary, provisions are posted for obsolescence of materials or products, having regard to their expected use and realizable values.

**Derivative financial instruments**

All derivative financial instruments (including embedded derivatives) are measured at fair value.

Under IFRS, an embedded derivative is a component of a hybrid instrument that also includes a non-derivative primary contract. The hybrid financial instrument comprises a non-derivative host contract and a derivative instrument that alters its characteristics in such a way that the cash flows vary in a manner similar to a stand-alone derivative instrument. An embedded derivative modifies the cash flows of a financial instrument based on changes in interest rates, exchange rates or other variables. In order to account for an embedded derivative, it is necessary, under certain conditions, to separate it from the host contract, and then measure it independently at its fair value.

The Group uses derivative financial instruments to hedge exchange rate risk.

Consistent with IAS 39, derivative financial instruments qualify for hedge accounting only when:

- the hedging relationship is formally designated and documented on inception of the hedge;
- the hedge is expected to be highly effective;
- its effectiveness can be measured reliably;
- the hedge is highly effective during the different accounting periods for which it is designated.

When derivative financial instruments qualify for hedge accounting, the following treatments are applied:

i) Fair value hedge – If a derivative financial instrument is designated as a hedge of the exposure to fair value changes of a recognized asset or liability, the change in fair value of the hedging derivative is recognized in the income statement consistently with the fair value measurement of the asset or liability hedged;

ii) Cash flow hedge – If a derivative financial instrument is designated as a hedge of the exposure to changes in the cash flows of a recognized asset or liability or of a highly probable forecasted transaction that could affect the income statement, the effective portion of the gains or losses on the hedging instrument is recognized in equity; the cumulative gain or loss is reversed from equity and transferred to the income statement in the same period in which the hedged transaction is recognized; the gain or loss associated with a hedge, or the portion of the hedge that has become ineffective, is charged to profit or loss when the ineffectiveness is determined.

When a derivative instrument does not qualify for hedge accounting, changes in fair value of the derivative instrument are charged to profit or loss.

At the reporting date, the effects of the fair value measurement of derivative financial instruments were charged directly to the statement of comprehensive income, on the line 'Financial income (charges), net'.

**Fair values of financial instruments**

The fair values of financial instruments quoted in an active market are based on market prices at the reporting date. The fair values of financial instruments that are not quoted in an active market are determined using valuation techniques based on methods and assumptions linked to market conditions at the reporting date.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash, credit balances on current accounts with banks, deposits repayable on demand and other short-term highly liquid investments that can be readily converted to cash, or are convertible into cash within 90 days of the original acquisition date and are subject to an insignificant risk of changes in value.

**Financial liabilities, trade and other payables**

Financial liabilities (excluding derivative financial instruments), trade and other payables are initially recognized at fair value, less directly attributable ancillary charges, and subsequently measured at amortized cost using the effective interest method. If there is a change in the estimated future cash flows, the value of the liabilities is recalculated to reflect this change based on the present value of the new estimated future cash flows and the internal rate of return originally determined.

Financial liabilities are classified in current liabilities, unless the Group has an unconditional right to defer settlement for at least twelve months from the reporting date.

Financial liabilities are derecognized when they are extinguished and when the Group has transferred all the risks and charges related to the instruments.

**Employee benefit obligations**

Employee benefit obligations payable on or after termination of employment comprise mainly the Italian employee severance indemnity (Trattamento di Fine Rapporto, “TFR”) governed by article 2120 of the Civil Code along with other similar defined employees benefit plans relating to foreign employees. Following the reform of social security, the TFR indemnities earned by employees starting from 1 January 2007 are either paid into pension funds or a treasury fund operated by INPS (Italian Social Welfare Agency), national social security, or else, if an employer has fewer than 50 employees, may be maintained in the company as was the case in previous years.

TFR is a defined benefit plan, i.e. a formalized program of benefits to be disbursed subsequent to the end of the employment relationship which constitutes a future obligation for which the Group assumes actuarial and investment risks.

As required by IAS 19, the Group uses the projected unit credit method to determine the present value of the obligation and related current service cost; this method requires the use of unbiased and mutually compatible actuarial assumptions about demographic (mortality rate, staff turnover rate) and financial (discount rate, future salary increases) variables. Actuarial gains and losses are recognized in equity.

**Provisions for risks and charges**

Provisions are made for specific losses or liabilities that are certain or probable, the amounts and timing of which cannot be determined accurately at the year end.

Provisions are posted only when a present (legal or constructive) obligation exists as a result of past events and it is probable that settlement of the obligation will require an outflow of resources embodying economic benefits. The amount recognized as a provision shall be the best estimate at the reporting date of the expenditure required to settle the obligation. The discount rate used to determine the present value of the liability reflects current market values and considers the specific risk associated with each liability.

Where the effect of the time value of money is material and the date of settlement can be estimated reliably, the amount of a provision shall be the present value of the expenditure expected to be required to settle the obligation, calculated using a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. An increase in the value of the provision caused by the passage of time is reported as a financial charge.

Risks where the occurrence of a liability is merely possible are disclosed in the specific section of the notes on contingent liabilities and no provision is posted.

**Revenue recognition**

Revenues from sales of goods are recognized in comprehensive income upon the transfer to the customer of the risks and rewards of ownership of the product sold, normally on delivery or shipment; revenues from services are recognized in the accounting period in which the services are rendered.

Revenue is recognized at the fair value of the consideration received, less value added tax, expected returns, discounts, markdowns and rebates. Revenue is recognized when the amount can be estimated reliably and it is probable that the future economic benefits will flow to the Group.

With regard to the key categories of revenues of the Group, recognition is based on the following criteria:

- Sales of goods – retail channel: the Group operates in the retail channel through its DOS (Directly Operated Stores) network. Revenue is recognized upon delivery of goods to customers. Sales are usually collected in cash or by credit card;
- Sales of goods – wholesale channel: the Group distributes products in the wholesale channel (franchisees, multi-brand stores, duty-free shops, in-store boutiques and department stores). Revenue is recognized upon actual transfer of ownership of the goods, mostly coinciding with shipment;
- Services rendered (Interior design): revenue is recognized based on the percentage of completion at the reporting date;
- Royalties: royalties originate from the application of contractual fees to revenues generated by final retailers or intermediate distributors, from authorized manufacturers ("licensees") of products marketed under the trademarks owned by the Versace Group, or from the application of fees for the use of the brand in promotional activities. Revenue is recognized according to the substance of the related agreement.

**Cost recognition**

Costs are recognized upon the purchase of the product or service. Costs relating to the opening or refurbishment of a store are generally charged to net income, unless they meet the requirements to be capitalized in tangible assets as leasehold improvements.

Costs directly attributable to a capital increase are deducted from equity.

**Share-based payment transactions**

In share-based payment transactions, the Group recognizes the cost of services purchased when the service is received. The corresponding entry is an increase in equity or a liability, depending on the method of settlement, specifically whether the obligation is equity settled or cash settled.

If the plan is cash settled, the Group measures the services received and the related liability at the fair value of the services and adjusts the liability at each reporting date until it is settled. Any change in fair value is recognized in the income statement.

If the plan is equity settled, the Group measures fair value only at the grant date.

**Taxes**

Current taxes are calculated on the basis of the taxable income of the period, calculated at the tax rates in force at the reporting date.

Deferred tax assets and liabilities are calculated on all differences arising between the tax base of an asset or liability and its carrying amount. Deferred tax assets, including those relating to tax losses carried forward for the portion not offset by deferred tax liabilities, are recognized to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the differences will be realized or settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current taxes and deferred tax assets and liabilities are recognized in the income statement, except when they relate to items charged or credited directly to equity, in which case the related tax is also recognized directly in equity. Taxes are offset when they are levied by the same taxation authority and there is a legal right of set-off.

Since FY 2005, the Company has participated together with its subsidiaries Gianni Versace S.p.A. ("Gianni Versace") and Verim Srl ("Verim") in the national tax consolidation regime governed by the Decree of the Ministry of Finance dated 9 June 2004.

The Company renewed its option to participate in the national tax consolidation in 2017.

## 3 Estimates and assumptions

The preparation of financial statements requires management to apply accounting policies and methods that are sometimes based on subjective judgements, estimates based on past experience and assumptions that are from time to time considered reasonable and realistic in the circumstances. The application of these estimates and assumptions affects the amounts presented in financial statements and the related disclosures. The actual amounts of items for which estimates and assumptions were used may differ from those reported in the financial statements due to the uncertainty that characterizes assumptions and the conditions on which estimates are based.

Below is a list of the items that require greater subjectivity when making estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the Group's financial results.

a) Impairment of receivables : the impairment of receivables reflects management's best estimate of the losses that will be incurred on trade receivables. The estimate is based on the losses expected by the Group, determined based on past experience with similar receivables, current and past overdue accounts, careful monitoring of credit quality and projections about economic and market conditions.
b) Inventories: the inventories which are obsolete are periodically evaluated and written down in the case that their net realizable value is lower than their carrying amount. Write-downs are calculated on the basis of management assumptions and estimates which are derived from experience and historical results.
c) Deferred tax assets : the recognition of deferred tax assets is based on the expectation of sufficient taxable income in future years against which they can be recovered. Estimates of taxable income for the purpose of the recognition of deferred tax assets depend on factors that may change over time, generating significant effects on the recoverability of deferred tax assets.
d) Provisions for risks and charges : provisions are posted for the risk of unfavorable outcome of legal and tax disputes. The values of provisions reflect management's best estimate at the reporting date. This estimate entails the adoption of assumptions that depend on factors that may change over time and which could therefore have significant effects compared with management's current estimates made in the preparation of the Consolidated Financial Statements.
e) Fair value of derivative financial instruments : the fair value of financial assets that are not quoted, such as derivative financial instruments, is determined through widely used financial valuation techniques that require the use of estimates and underlying assumptions. The assumptions may not materialize in the expected timeframe and manner. Therefore, the Group's estimates may differ from actual amounts.

## 4 New standards, amendments and interpretations not yet applicable and not adopted early by the Group

The following table lists the International Financial Reporting Standards and interpretations approved by the IASB that effective on or after 1 January 2018.

| Description | Effective date |
|---|---|
| IFRS 15 Revenue from Contracts with Customers, which includes *Amendments to IFRS 15 : Effective date* | Financial years beginning on or after 1 Jan. 2018 |
| Clarifications to IFRS 15 *Revenue from Contracts with Customers* | Financial years beginning on or after 1 Jan. 2018 |
| IFRS 16 *Leases* | Financial years beginning on or after 1 Jan. 2019 |
| Amendments to IFRS 4 - *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* | Financial years beginning on or after 1 Jan. 2018 |
| IFRS 9 Financial instruments | Financial years beginning on or after 1 Jan. 2018 |
| IFRS 17 Insurance Contracts (issued on 18 May 2017) | Financial years beginning on or after 1 Jan. 2021 |
| IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016) | Financial years beginning on or after 1 Jan. 2018 |
| IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017) | Financial years beginning on or after 1 Jan. 2019 |
| Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016) | Financial years beginning on or after 1 Jan. 2018 |
| Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016) | Financial years beginning on or after 1 Jan. 2018 |
| Amendments to IAS 40: Transfers of Investment Property (issued on 8 December 2016) | Financial years beginning on or after 1 Jan. 2018 |
| Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017) | Financial years beginning on or after 1 Jan. 2019 |
| Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017) | Financial years beginning on or after 1 Jan. 2019 |
| Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017) | Financial years beginning on or after 1 Jan. 2019 |

IFRS 15 "Revenue from Contracts with Customers" replaces the standards and interpretations currently in force applicable to revenue recognition (IAS 18 and IAS 11, IFRIC 13 "Customer Loyalty Programs", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers" and SIC-31 "Revenue - Barter Transactions Involving Advertising Services"). The new standard introduces a 5-step measurement method to analyze transactions and determine revenue recognition with consideration to both, the timing of recognition and the amounts recognized. The standard mandatorily requires retrospective application, under either of the following approaches:

- Full retrospective approach: retrospectively to each comparative year presented in accordance with IAS 8; or
- Modified retrospective approach: recognizing the cumulative effect from the date of initial application of the standard (1 January 2018) only to contracts that are not completed at that date.

The Group will adopt the modified retrospective approach; the Group has analyzed the different types of contracts related to the sale goods, services and revenues from royalties and determined that no significant impact as a result of the adoption the new standard. As a result of the adoption of the new standard a different presentation for sales return will be adopted only for balance sheet. A refund liability for the expected refunds to customers will be recognized in 'Other payables and other current liabilities' and an asset representing the right to recover the product from the customer where the customer exercises his right of return will be recognized within 'Inventories'.

IFRS 16 – ‘IFRS 16 – *Leases* ’ was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the lease item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Group’s operating leases. As of 31 December 2017, the Group has non-cancellable operating lease commitments of approximately €400 million. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification cash flows. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

The project to revise the standard on financial instruments was completed with the publication of the complete version of IFRS 9 “Financial instruments”. The standard’s new provisions: (i) modify the classification and measurement model of financial assets; (ii) introduce the notion of expected credit losses as a variable to be considered in the measurement of financial assets and the calculation of impairment; and (iii) modify the hedge accounting rules.

The purpose of “Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts” is to solve the issues that insurers would face if they applied the new financial instruments standard, IFRS 9, which will replace IFRS 4.

The amendment to IFRS 17 “Insurance Contracts” is designed to improve understanding by investors, and other stakeholders, of insurers’ exposure to risk, profitability and financial position.

IFRIC 22 “Foreign Currency Transactions and Advance Consideration” examines how to determine the exchange rate to be used in translation when an entity pays or receives advance consideration in a foreign currency before it recognizes the related asset, expense or income.

IFRIC 23 “Uncertainty over Income Tax Treatments” provides guidance on how to reflect uncertainties over the tax treatment of an item in the recognition of income taxes.

“Amendments to IFRS 2: Classification and measurement of share-based payment transactions” provides clarifications on the accounting treatment of certain share-based payment transactions.

“Amendments to IFRS 9: Financial Instruments” allows measurement at amortized cost of some pre-payable financial assets with so-called negative compensation.

The Group expects that the adoption of the standards applicable from financial years beginning on or after 1 January 2018, except for IFRS 16, will not have a material impact on the measurement of the Group’s assets, liabilities, revenues and costs. The Group is assessing the impact of the adoption of IFRS 16.

The Group has not early adopted any standards and/or interpretations whose application is mandatory for financial years beginning after 31 December 2017.

## 5 Disclosure of financial risks

The key business risks identified, monitored and actively managed, to the extent specified below, by the Group are the following:

- Market risk (defined as exchange rate risk and interest rate risk);
- Credit risk (in relation to both ordinary business transactions with customers and financing activities); and
- Liquidity risk (with reference to the availability of financial resources and access to the credit market and financial instruments in general).

The objective of the Group is to maintain over time a balanced management of its financial exposure, suitable to have a liability structure that matches the asset structure and to ensure the necessary operational flexibility through the use of cash generated from current operations and bank borrowings.

Financial risk management is directed and monitored centrally. Specifically, the central finance function is responsible for evaluating and approving budgeted financial requirements, monitoring developments and adopting appropriate corrective action, where necessary.

The funding instruments most commonly used by the Group are:

- Medium and long-term loans, to finance capital expenditure; and
- Short-term borrowings and current account credit facilities, to finance working capital.

The Group enters into foreign currency forward sales and purchase contracts defining in advance the translation rate for future dates with the purpose of reducing foreign exchange risk on the main currencies to which it is exposed.

The following section provides qualitative and quantitative disclosures on the effect of the above risks on the Group.

### 5.1 Market risks

#### 5.1.1 Foreign exchange risk

Exposure to the risk of fluctuations in exchange rates originates from the commercial activities of the Group that are also conducted in currencies other than the euro. Revenues and costs denominated in foreign currencies may be affected by exchange rate fluctuations with an impact on sales margins (economic risk), and trade payables and receivables denominated in foreign currencies may be affected by the exchange rates used in translation, with an impact on profit and loss figures (transaction risk). Finally, fluctuations in exchange rates have an impact on the consolidated results and shareholders' equity because the financial statements of subsidiaries are prepared in currencies other than the euro and are subsequently translated (translation risk).

The exchange rates to which the Group is exposed are primarily:

- EUR/USD;
- EUR/GBP;
- EUR/CNY;
- EUR/HKD.

Exposure originates mainly from sales and, to a lesser extent, purchases.

Exchange rate fluctuations may give rise to the recognition of exchange gains or losses. The Group hedges certain existing sales and purchases, as well as certain highly probable, albeit not finalized, orders pursuing the managerial objective of minimizing the risks to which it is exposed. To this end, the Group has established an internal procedure that defines the rules for monitoring economic flows and the related methods of hedging economic and transaction risk.

The Group's exposure to foreign currency risk as of 31 December 2017 and 2016, expressed in Euro, was as follows:

| | 31 December 2017 | | | | | |
|---|---|---|---|---|---|---|
| | USD | GBD | HKD | JPY | OTHER | TOTAL |
| | €thousand | €thousand | €thousand | €thousand | €thousand | €thousand |
| Trade receivables | 1,408 | 355 | — | — | 3,431 | **5,194** |
| Trade payables | 5,297 | 397 | 4 | 15 | 152 | **5,865** |
| Foreign currency forwards by foreign currency - asset (held for trading) | 930 | 129 | 2,747 | 96 | 64 | **3,966** |
| Foreign currency forwards by foreign currency - liabilities (held for trading) | (243) | — | — | — | (3) | **(246)** |

| | 31 December 2016 | | | | | |
|---|---|---|---|---|---|---|
| | USD | GBD | HKD | JPY | OTHER | TOTAL |
| | €thousand | €thousand | €thousand | €thousand | €thousand | €thousand |
| Trade receivables | 4,759 | 1,037 | — | — | 3,258 | **9,054** |
| Trade payables | 3,418 | 884 | 248 | 364 | 737 | **5,651** |
| Foreign currency forwards by foreign currency - asset (held for trading) | — | 193 | — | 65 | 37 | **295** |
| Foreign currency forwards by foreign currency - liabilities (held for trading) | (1,465) | — | (3,307) | — | (32) | **(4,804)** |

The Group uses forward contracts to hedge the risk that the foreign currencies to which it is exposed may appreciate, with respect to purchases, or depreciate, with respect to sales.

In accordance with IFRS, derivative financial instruments are classified as trading derivatives although they are entered into solely for hedging purposes.

The tables below summarize the key information relating to foreign exchange hedging derivatives. Amounts are expressed in thousands of euro.

| ***USD*** | Sales | | Purchases | |
|---|---|---|---|---|
| | 31 December 2017 | December 31, 2016 | 31 December 2017 | December 31, 2016 |
| Transaction date | 04/04/2017 to 06/12/2017 | 13/05/2016 to 11/11/2016 | 20/12/2017 to 28/12/2017 | 21/12/2016 to 28/12/2016 |
| Maturity | 24/01/2018 to 28/11/2018 | 20/01/2017 to 20/12/2017 | 31/01/2018 | 20/01/2017 |
| Notional amount | (25,300) | (28,200) | 28,200 | 3,450 |
| *Strike price* | from 1.081 to 1.2142 | from 1.0883 to 1.1303 | from 1.1886 to 1.1962 | from 1.04 to 1.0414 |
| Notional amount (EUR) | (21,771) | (25,063) | 23,718 | 3,308 |
| *Fair value* | 930 | (1,427) | (243) | (38) |

| ***GBP*** | Sales | | Purchases | |
|---|---|---|---|---|
| | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 |
| Transaction date | 04/04/2017 to 20/12/2017 | 25/05/2016 to 21/12/2016 | 28/12/2017 | - |
| Maturity | 24/01/2018 to 28/11/2018 | 20/01/2017 to 20/12/2017 | 31/01/2018 | - |
| Notional amount | (14,000) | (7,035) | 300 | - |
| *Strike price* | from 0.841 to 0.8977 | from 0.7611 to 0.9039 | 0.8876 | - |
| Notional amount (EUR) | (15,858) | (8,387) | 338 | - |
| *Fair value* | 129 | 193 | - | - |

| *JPY* | Sales | | Purchases | |
|---|---|---|---|---|
| | **31 December 2017** | **31 December 2016** | **31 December 2017** | **31 December 2016** |
| Transaction date | 20/12/2017 | 20/12/2016 to 28/12/2016 | - | - |
| Maturity | 31/01/2018 | 20/01/2017 | - | - |
| Notional amount | (1,946,300) | (1,912,700) | - | - |
| *Strike price* | 134.145 | from 122,67 to 122,82 | - | - |
| Notional amount (EUR) | (14,509) | (15,568) | - | - |
| *Fair value* | 96 | 65 | - | - |

| *CNY* | Sales | | Purchases | |
|---|---|---|---|---|
| | **31 December 2017** | **31 December 2016** | **31 December 2017** | **31 December 2016** |
| Transaction date | 05/04/2017 to 20/12/2017 | 26/05/2016 to 21/12/2016 | 28/12/2017 | 21/12/2016 |
| Maturity | 24/01/2018 to 28/11/2018 | 20/01/2017 to 20/12/2017 | 31/01/2018 | 20/01/2017 |
| Notional amount | (315,500) | (245,500) | 9,750 | 8,000 |
| *Strike price* | from 7.6 to 8.229 | from 7.2190 to 7.467 | 7.82 | 7.219 |
| Notional amount (EUR) | (39,648) | (32,441) | 1,247 | 1,102 |
| *Fair value* | 73 | (13) | (3) | (18) |

| *HKD* | Sales | | Purchases | |
|---|---|---|---|---|
| | **31 December 2017** | **31 December 2016** | **31 December 2017** | **31 December 2016** |
| Transaction date | 05/04/2017 to 28/12/2017 | 25/05/2016 to 28/12/2016 | - | 29/12/2016 |
| Maturity | 24/01/2018 to 26/10/2018 | 20/01/2017 to 20/12/2017 | - | 20/01/2017 |
| Notional amount | (454,700) | (634,500) | - | 12,500 |
| *Strike price* | from 8.3723 to 9.338 | from 8.069 to 8.6725 | - | 8 |
| Notional amount (EUR) | (50,893) | (73,646) | - | 1,539 |
| *Fair value* | 2,747 | (3,296) | - | (11) |

| *KRW* | Sales | | Purchases | |
|---|---|---|---|---|
| | **31 December 2017** | **31 December 2016** | **31 December 2017** | **31 December 2016** |
| Transaction date | 20/12/2017 | 21/12/2016 | - | - |
| Maturity | 31/01/2018 | 20/01/2017 | - | - |
| Notional amount | (890,850) | (1,158,000) | - | - |
| *Strike price* | 1,287.92 | 1,242.86 | - | - |
| Notional amount (EUR) | (692) | (929) | - | - |
| *Fair value* | (4) | 18 | - | - |

| *Other currencies* | Sales | | Purchases | |
|---|---|---|---|---|
| | **31 December 2017** | **31 December 2016** | **31 December 2017** | **31 December 2016** |
| Transaction date | 20/12/2017 | 21/12/2016 | 27/12/2017 to 28/12/2017 | 28/12/2016 |
| Maturity | 31/01/2018 | 20/01/2017 | 31/01/2018 | 20/01/2017 |
| Notional amount | Miscellaneous | Miscellaneous | Miscellaneous | Miscellaneous |
| *Strike price* | Miscellaneous | Miscellaneous | Miscellaneous | Miscellaneous |
| Notional amount (EUR) | (7,811) | (6,757) | 482 | 217 |
| *Fair value* | 5 | 19 | - | (1) |

**Sensitivity Analysis related to exchange rate risk**

For the purposes of the sensitivity analysis on exchange rate risk, the items of the statement of financial position (financial assets and liabilities) denominated in currencies other than the functional currency of each entity of the Group have been identified. The assessment of the potential effects of exchange rate fluctuations also took into consideration intercompany payables and receivables in currencies other than the functional currency.

The effects on profit after tax resulting from a 10% appreciation or depreciation against the euro of each of the major currencies to which the Group is exposed are summarized below. Amounts are expressed in thousands of euro.

| | -10% | 10% | | -10% | 10% |
|---|---|---|---|---|---|
| ***EUR/USD*** | | | ***EUR/HKD*** | | |
| 31 December 2017 | (2,904) | 2,376 | 31 December 2017 | (4,389) | 3,591 |
| 31 December 2016 | (3,911) | 3,200 | 31 December 2016 | (5,597) | 4,579 |
| 31 December 2015 | (2,266) | 1,853 | 31 December 2015 | (47) | 38 |

| | -10% | 10% | | -10% | 10% |
|---|---|---|---|---|---|
| ***EUR/GBP*** | | | ***EUR/CNY*** | | |
| 31 December 2017 | (970) | 794 | 31 December 2017 | (2,585) | 2,115 |
| 31 December 2016 | (467) | 382 | 31 December 2016 | (2,075) | 1,698 |
| 31 December 2015 | (561) | 456 | 31 December 2015 | 57 | (47) |

| | -10% | 10% | | -10% | 10% |
|---|---|---|---|---|---|
| ***EUR/JPY*** | | | ***EUR/KRW*** | | |
| 31 December 2017 | (437) | 357 | 31 December 2017 | (43) | 35 |
| 31 December 2016 | (520) | 426 | 31 December 2016 | (100) | 82 |
| 31 December 2015 | (307) | 250 | 31 December 2015 | (181) | 148 |

| | -10% | 10% |
|---|---|---|
| ***Other currencies*** | | |
| 31 December 2017 | 918 | (751) |
| 31 December 2016 | 1,793 | (1,467) |
| 31 December 2015 | (778) | 588 |

Note: Tax impact calculated applying the Company's corporation tax rate of 24% for FY 2017 and 27.5% for FY 2016 and FY 2015.

### 5.1.2 Interest rate risk

The Group uses external financial resources in the form of debt and invests excess cash in bank deposits. Fluctuations in market interest rates affect the costs of and returns on the various sources and allocations of funds, affecting the level of the Group's financial income and charges. The Group, being exposed to interest rate fluctuations with regard to the measurement of debt servicing costs, regularly assesses its exposure to the risk of changes in interest rates and manages it by resorting to the least costly forms of funding.

Bank borrowing costs are mainly driven by the Euribor rate of the period plus a spread that depends on the type of credit line used. The margins applied are in line with the lowest spreads currently available in the market. The interest rate risk to which the Group is exposed originates mainly from financial debts.

**Sensitivity analysis related to interest rate risk**

The Group's exposure to interest rate risk has been measured by means of a sensitivity analysis that considered current and non-current financial liabilities. The assumptions made considered the effects on the income statement for the years 2017 2016 and 2015 of a hypothetical fluctuation in market interest rates due to a 50bps appreciation and depreciation. The calculation method applied the hypothetical change to the gross bank borrowing balances and to the interest rate paid during the year to remunerate liabilities at a floating rate. The sensitivity analysis was based on the assumption of a general and instantaneous change in the level of interest rates. The results of a hypothetical, instantaneous and unfavorable (favorable) change in short-term interest rates applicable to the floating-rate financial assets and liabilities of the Group are reported in the following tables:

| | Interest 31 December 2017 | | |
|---|---|---|---|
| | Outstanding debt | Impact on profit after tax | |
| | €thousand | - 50 bps | + 50 bps |
| Current and non-current bank borrowings *(floating rate)* | 47,287 | 211 | (211) |
| **Total** | **47,287** | **211** | **(211)** |

| | Interest 31 December 2016 | | |
|---|---|---|---|
| | Outstanding debt | Impact on profit after tax | |
| | €thousand | - 50 bps | + 50 bps |
| Current and non-current bank borrowings *(floating rate)* | 39,713 | 167 | (167) |
| **Total** | **39,713** | **167** | **(167)** |

| | Interest 31 December 2015 | | |
|---|---|---|---|
| | Outstanding debt | Impact on profit after tax | |
| | €thousand | - 50 bps | + 50 bps |
| Current and non-current bank borrowings *(floating rate)* | 27,070 | 158 | (158) |
| **Total** | **27,070** | **158** | **(158)** |

Note: Tax impact calculated applying the Company's corporation tax rate of 24% for FY 2017 and 27.5% for FY 2016 and FY 2015

### 5.2 Credit risk

Credit risk represents the Group's exposure to potential losses arising from the non-fulfilment of obligations by counterparties.

It is the Group's policy to verify the solvency of customers seeking extended payment terms using information obtained from specialist credit agencies. Receivables are constantly monitored during the year so as to ensure timely action to reduce the risk of losses.

Exposure to commercial credit risk of the Group only relates to sales in the wholesale channel, which accounted for approximately 29% of net revenues for FY 2017 (versus 30% in FY 2016), and revenues from royalties and interior design services, which accounted for approximately 7% of net revenues for FY 2017 (versus 8% in FY 2016). The remaining sales are made in the retail channel with payments in cash or by credit or debit cards.

Insolvency risk is monitored by means of internal procedures designed to assess customers' trading and financial standing and is mitigated by selling to customers with consolidated standing or through advance or guaranteed payments. Another tool used to manage commercial credit risk is taking out policies with leading insurance companies that guarantee refunds in case of default.

Trade receivables are recognized net of allowances calculated based on the risk of default of the counterparty, determined considering the available information on the customer's solvency and historical data. The Group writes down/off individual positions that are found to be objectively non-collectible, in part or in whole, taking into account any insurance cover and the development of overdue accounts. Allowances are posted for receivables that are not written down individually, taking into consideration past experience.

The overall exposure to credit risk is the sum of the financial assets reported on the statement of financial position, summarized below by maturity as of 31 December 2017 and 2016:

| | 31 December 2017 | Not yet due | Overdue (days) 1<30 | 31<60 | 61<90 | 91<120 | >=120 |
|---|---|---|---|---|---|---|---|
| | €thousand | €thousand | €thousand | €thousand | €thousand | €thousand | €thousand |
| ***Receivables ageing*** | | | | | | | |
| Trade receivables | 78,446 | 53,277 | 8,337 | 2,242 | 1,651 | 1,983 | 10,956 |
| Other receivables and other (current and non-current) assets | 38,121 | 38,077 | 5 | - | 3 | - | 36 |
| Current financial assets | 4,062 | 4,062 | - | - | - | - | - |
| Impairment of receivables | (6,437) | (93) | (286) | (78) | (133) | (1,122) | (4,725) |
| **Trade receivables and other assets after impairment of receivables** | **114,192** | **95,323** | **8,056** | **2,164** | **1,521** | **861** | **6,267** |

| | 31 December 2016 | Not yet due | Overdue (days) 1<30 | 31<60 | 61<90 | 91<120 | >=120 |
|---|---|---|---|---|---|---|---|
| | €thousand | €thousand | €thousand | €thousand | €thousand | €thousand | €thousand |
| ***Receivables ageing*** | | | | | | | |
| Trade receivables | 82,427 | 52,314 | 13,602 | 3,136 | 1,557 | 1,373 | 10,445 |
| Other receivables and other (current and non-current) assets | 37,099 | 37,051 | - | 3 | - | - | 45 |
| Current financial assets | 660 | 660 | - | - | - | - | - |
| Impairment of receivables | (6,668) | (103) | (190) | (397) | (380) | (305) | (5,293) |
| **Trade receivables and other assets after impairment of receivables** | **113,518** | **89,922** | **13,412** | **2,742** | **1,177** | **1,068** | **5,197** |

For receivables that were overdue as of 31 December 2017, equal to €25,213 thousand (€30,161 thousand as of 31 December 2016), an impairment of €6,437 thousand was posted (€6,668 thousand as of 31 December 2016). The remainder was not provided for, as they are not deemed to be at risk.

Credit risk connected with the Group's financial assets, which comprise loans, investments, cash and cash equivalents and derivative financial instruments hedging exchange rate risk, is represented by a counterparty's inability to fulfill its obligations. The Group manages this risk by selecting counterparties with high credit standing, considered solvent by the market and with which it has ordinary, continuing trading and banking relationships. As far as the Group is aware, at the reporting date there were no potential losses deriving from the inability of said counterparties to fulfill their contractual obligations of significant or appreciable amount.

### 5.3 Liquidity risk

Liquidity risk may arise if the Group encounters difficulties in obtaining financial resources at an acceptable cost to conduct its ordinary operating activities. The main factors that affect the Group's liquidity are:

- The financial resources generated from or used in operating and investing activities;
- The maturity of, and possibility to extend, financial debts.

Prudent management of liquidity risk originating from ordinary operations involves maintaining an adequate level of cash and cash equivalents and short-term securities, and the availability of funds from credit lines of an appropriate amount. The cash requirements of the Group are monitored by the treasury function to ensure effective access to financial resources and an appropriate return on investments. The Group's objective is to put in place a financial structure that, in line with business objectives, ensures an appropriate level of liquid funds, minimizing the related opportunity cost and maintaining a balance in the composition of debt over time.

In accordance with the Group's policy to enter into and maintain an amount of committed credit facilities considered appropriate to meet the requirements of the individual entities, in addition to ensuring appropriate financial flexibility to support any development programs during the year, in 2015 the Group renegotiated almost all of the existing committed facilities, and entered into a new loan agreement for a revolving line of credit of €250 million, maturing in five years. In the course of FY 2016, the Group renegotiated an existing credit line granted from Banca Popolare di Milano, increasing the amount available for drawdown while and reducing significantly its cost.

During 2017, the Group entered into an agreement with Intesa San Paolo S.p.A. to supplement and modify the conditions of the original financing. Besides the concession of a new financing of €7,900 thousand, the change in financing conditions concerned the extension of five years from the original term and the reduction of the interest rate applied from the previous 5.68% to the actual 3%.

As of 31 December 2017, credit lines and overdrafts for a total of €13,867 thousand were available to the Group to meet short-term financial requirements related to working capital management.

The management of credit facilities is coordinated by the subsidiary Gianni Versace so as to meet subsidiaries' short-term financial requirements efficiently and cost-effectively. The credit lines may be extended from year to year, may be revoked at short notice and do not generate any costs if unused.

Management believe that the funds and credit lines currently available will enable the Group to repay funds drawn down at their natural maturities and to meet financial requirements from investing activities and working capital management.

The following table analyses financial liabilities (including borrowings, trade payables and other payables). All amounts shown are nominal, undiscounted future cash flows determined with reference to the remaining contractual maturities for both the principal and the interest portions. Borrowings are presented based on their contractual repayment date.

| | ***31 December 2017*** | | | |
|---|---|---|---|---|
| | ***Due*** | | | |
| | ***within 1 year*** | ***between 1-5 years*** | ***after more than 5 years*** | ***Total*** |
| | ***€thousand*** | ***€thousand*** | ***€thousand*** | ***€thousand*** |
| Borrowings | 20,813 | 41,375 | 18,721 | 80,909 |
| Trade payables | 113,644 | - | - | 113,644 |
| Other payables | 33,493 | 17,570 | 11,170 | 62,233 |
| **Total** | **167,950** | **58,945** | **29,891** | **256,786** |

| | ***31 December 2016*** | | | |
|---|---|---|---|---|
| | ***Due*** | | | |
| | ***within 1 year*** | ***between 1-5 years*** | ***after more than 5 years*** | ***Total*** |
| | ***€thousand*** | ***€thousand*** | ***€thousand*** | ***€thousand*** |
| Borrowings | 16,177 | 47,961 | 8,440 | 72,578 |
| Trade payables | 114,554 | - | - | 114,554 |
| Other payables | 31,226 | 20,220 | 10,258 | 61,704 |
| **Total** | **161,957** | **68,181** | **18,698** | **248,836** |

## 6 Fair value estimates

With regard to financial instruments measured at fair value, the following table provides information about the method adopted to determine fair value. The applicable valuation techniques used to measure fair value are classified into three levels based on the type of inputs used, as follows:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability in active markets; and
- Level 3: Unobservable inputs.

The financial instruments carried at fair value of the Group are classified in Level 2 and the general criterion used for the calculation is the present value of the estimated future cash flows of the instrument.

The following table shows assets and liabilities that were measured at fair value as of 31 December 2017 and 2016:

| | **31 December 2017** | | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** |
| | **€thousand** | **€thousand** | **€thousand** |
| Derivative financial instruments (forward contracts) asset | - | 4,062 | - |
| Derivative financial instruments (forward contracts) liability | - | (342) | - |

| | **31 December 2016** | | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** |
| | **€thousand** | **€thousand** | **€thousand** |
| Derivative financial instruments (forward contracts) asset | - | 660 | - |
| Derivative financial instruments (forward contracts) liability | - | (5,169) | - |

It should be noted that trade receivables and payables are measured at book value as this is considered to approximate fair value.

Borrowings are at floating interest rates. Therefore, they approximate fair value.

The following tables break down financial assets and liabilities as of 31 December 2017 and 2016 by category:

| | 31 December 2017 | | | | | |
|---|---|---|---|---|---|---|
| | **Financial assets/liabilities at fair value** | **Loans and receivables** | **Held-to-maturity assets** | **Available-for-sale assets** | **Liabilities at amortized cost** | **Total** |
| | **€thousand** | **€thousand** | **€thousand** | **€thousand** | **€thousand** | **€thousand** |
| **Current assets** | | | | | | |
| Cash and cash equivalents | - | 30,269 | - | - | - | **30,269** |
| Trade receivables | - | 72,009 | - | - | - | **72,009** |
| Other receivables and other current assets | - | 12,937 | - | - | - | **12,937** |
| Financial assets (forward contracts) | 4,062 | - | - | - | - | **4,062** |
| **Non-current assets** | | | | | | |
| Other receivables and other non-current assets | - | 25,184 | - | - | - | **25,184** |
| **Current liabilities** | | | | | | |
| Trade payables | - | - | - | - | 113,644 | **113,644** |
| Bank borrowings and other financial liabilities | - | - | - | - | 19,264 | **19,264** |
| Financial liabilities (forward contracts) (1) | 342 | - | - | - | - | **342** |
| Other payables and other current liabilities | - | - | - | - | 33,493 | **33,493** |
| **Non-current liabilities** | | | | | | |
| Bank borrowings and other financial liabilities | - | - | - | - | 52,368 | **52,368** |
| Other payables and other non-current liabilities | - | - | - | - | 28,585 | **28,585** |

(1) For additional comments see Note 7.14 'Bank borrowings and other (current and non-current) financial liabilities'

| | 31 December 2016 | | | | | |
|---|---|---|---|---|---|---|
| | **Financial assets/liabilities at fair value** | **Loans and receivables** | **Held-to-maturity assets** | **Available-for-sale assets** | **Liabilities at amortized cost** | **Total** |
| | **€thousand** | **€thousand** | **€thousand** | **€thousand** | **€thousand** | **€thousand** |
| **Current assets** | | | | | | |
| Cash and cash equivalents | - | 37,619 | - | - | - | **37,619** |
| Trade receivables | - | 75,762 | - | - | - | **75,762** |
| Other receivables and other current assets | - | 8,694 | - | - | - | **8,694** |
| Financial assets (forward contracts) | 660 | - | - | - | - | **660** |
| **Non-current assets** | | | | | | |
| Other receivables and other non-current assets | - | 28,405 | - | - | - | **28,405** |
| **Current liabilities** | | | | | | |
| Trade payables | - | - | - | - | 114,554 | **114,554** |
| Bank borrowings and other financial liabilities | - | - | - | - | 9,556 | **9,556** |
| Financial liabilities (forward contracts) (1) | 5,169 | - | - | - | - | **5,169** |
| Other payables and other current liabilities | - | - | - | - | 31,226 | **31,226** |
| **Non-current liabilities** | | | | | | |
| Bank borrowings and other financial liabilities | - | - | - | - | 51,418 | **51,418** |
| Other payables and other non-current liabilities | - | - | - | - | 30,299 | **30,299** |

(1) For additional comments see Note 7.14 'Bank borrowings and other (current and non-current) financial liabilities'

## 7 Notes to the statements of financial position

### 7.1 Intangible assets

Movements in 'Intangible assets' in the years ended 31 December 2017 and 2016 are analyzed as follows:

| | Other - Deferred charges | Software | Concessions, licenses, trademarks and similar rights | Key money | Intangible assets in progress and payments on account | Total intangible assets |
|---|---|---|---|---|---|---|
| | €thousand | €thousand | €thousand | €thousand | €thousand | €thousand |
| **GROSS VALUE** | | | | | | |
| **Opening balance at 1 Jan. 2017** | **17,264** | **10,596** | **7,324** | **42,446** | **448** | **78,078** |
| +/- Reclassifications | 423 | 20 | 5 | - | (448) | - |
| + Additions | 1,638 | 637 | 559 | - | 2,155 | 4,989 |
| - Disposals | - | - | - | (1,420) | - | (1,420) |
| - Write-off | (126) | (1) | - | (1,168) | - | (1,295) |
| +/- Foreign exchange translation reserve | (65) | (21) | (5) | (1,485) | - | (1,576) |
| **Closing balance at 31 Dec. 2017** | **19,134** | **11,231** | **7,883** | **38,373** | **2,155** | **78,776** |
| **ACCUMULATED AMORTIZATION AND WRITE-OFFS** | | | | | | |
| **Opening balance at 1 Jan. 2017** | **(8,834)** | **(9,186)** | **(3,634)** | **(20,904)** | **-** | **(42,558)** |
| +/- Reclassifications | - | - | - | - | - | - |
| - Disposals | - | - | - | 837 | - | 837 |
| - Write-off | 126 | - | - | 1,251 | - | 1,377 |
| + Amortization charges | (2,230) | (851) | (530) | (3,600) | - | (7,211) |
| +/- Foreign exchange translation reserve | 33 | 21 | 5 | 1,156 | - | 1,215 |
| **Closing balance at 31 Dec. 2017** | **(10,905)** | **(10,016)** | **(4,159)** | **(21,260)** | **-** | **(46,340)** |
| **Opening net book value** | **8,430** | **1,410** | **3,690** | **21,542** | **448** | **35,520** |
| **Closing net book value** | **8,229** | **1,215** | **3,724** | **17,113** | **2,155** | **32,436** |
| **Change 31 Dec. 2016 vs. 31 Dec. 2017** | **(201)** | **(195)** | **34** | **(4,429)** | **1,707** | **(3,084)** |

| | Other - Deferred charges | Software | Concessions, licenses, trademarks and similar rights | Key money | Intangible assets in progress and payments on account | Total intangible assets |
|---|---|---|---|---|---|---|
| | €thousand | €thousand | €thousand | €thousand | €thousand | €thousand |
| **GROSS VALUE** | | | | | | |
| **Opening balance at 1 Jan. 2016** | **12,176** | **9,707** | **6,560** | **41,375** | **2,948** | **72,766** |
| +/- Reclassifications | 2,008 | 271 | 224 | 434 | (2,560) | 377 |
| + Additions | 3,663 | 738 | 541 | 52 | 60 | 5,054 |
| - Disposals/Write-off | (547) | (135) | (1) | - | - | (683) |
| +/- Foreign exchange translation reserve | (36) | 15 | - | 585 | - | 564 |
| **Closing balance at 31 Dec. 2016** | **17,264** | **10,596** | **7,324** | **42,446** | **448** | **78,078** |
| **ACCUMULATED AMORTIZATION AND WRITE-OFFS** | | | | | | |
| **Opening balance at 1 Jan. 2016** | **(7,546)** | **(8,586)** | **(3,241)** | **(19,533)** | **-** | **(38,906)** |
| +/- Reclassifications | 28 | (16) | - | (434) | - | (422) |
| - Disposals/Write-off | 547 | 135 | 1 | - | - | 683 |
| + Amortization charges | (1,437) | (704) | (394) | (3,710) | - | (6,245) |
| + Impairment losses | (487) | - | - | (214) | - | (701) |
| + Impairment loss reversals | - | - | - | 3,290 | - | 3,290 |
| +/- Foreign exchange translation reserve | 61 | (15) | - | (303) | - | (257) |
| **Closing balance at 31 Dec. 2016** | **(8,834)** | **(9,186)** | **(3,634)** | **(20,904)** | **-** | **(42,558)** |
| **Opening net book value** | **4,630** | **1,121** | **3,319** | **21,842** | **2,948** | **33,860** |
| **Closing net book value** | **8,430** | **1,410** | **3,690** | **21,542** | **448** | **35,520** |
| **Change 31 Dec. 2015 vs. 31 Dec. 2016** | **3,800** | **289** | **371** | **(300)** | **(2,500)** | **1,660** |

‘Intangible assets’ amount to €32,436 thousand as of 31 December 2017 (€35,520 thousand as of 31 December 2016) and comprises the following:

- Key money for €17,113 thousand as of 31 December 2017 (€21,542 thousand as of 31 December 2016). This is the amounts paid to take over leases for commercial properties in prime locations;
- Other intangible assets for €8,229 thousand as of 31 December 2017 (€8,430 thousand as of 31 December 2016). This mainly relates to the cost of development of the e-commerce platform and other costs related to the shop’s concept;
- Licenses and trademarks for €3,724 thousand as of 31 December 2017 (€3,690 thousand as of 31 December 2016), relating to capitalized costs for the the registration of trademarks owned by the Group;
- Software for €1,215 thousand (net) as of 31 December 2017 (€1,410 thousand (net) as of 31 December 2016);
- Assets in progress, for €2,155 thousand as of 31 December 2017 (€448 thousand as of 31 December 2016), relating to costs incurred in the period for the projects in progress specified below.

Additions in the year 2017, totaling €4,989 thousand (gross) comprise specifically:

- ‘Other deferred charges’ of €1,638 thousand, comprised mainly of expenditures on e-commerce projects and projects to develop new reporting and budgeting systems;
- ‘Software’ for €637 thousand, relating mainly to new developments;
- ‘Concessions, licenses and trademarks’ for €559 thousand, relating to the extension of existing, and filing of new software (€293 thousand) and trademarks (€266 thousand);
- ‘Assets in progress’ for €2,155 thousand, comprised of €1,020 thousand for development of new retail software, €575 thousand for software and €560 thousand for other deferred charges.

Disposals of key money, net, amounting to €583 thousand, relate to the Sloane Street boutique in London, which was relocated in early November 2017. The difference between net disposals and the amount received after vacating the premises, amounting to about €3,442 thousand, generated a gain which was recognized in ‘Other income’ in the statement of comprehensive income.

Additions of the year 2016, totaling €5,054 thousand (gross), relate in particular to ‘Other deferred charges’ comprising mainly expenditure on e-commerce projects.

The impairment test on the key money of the Avenue Montaigne boutique in Paris (for which a previously recorded impairment loss of €3,290 thousand was partially reversed in FY 2016) confirmed the recoverability of the carrying amount of the intangible asset as of 31 December 2017.

### 7.2 Property, plant and equipment

Movements in ‘Property, plant and equipment’ in the years ended 31 December 2017 and 2016 are analyzed as follows:

| | Land and buildings: business operating assets €thousand | Buildings: non-business operating assets €thousand | Plant and machinery €thousand | Leasehold improvement €thousand | Industrial and commercial equipment €thousand | Other assets: furniture, fixtures and furnishings €thousand | Other assets: office machines and EDP systems €thousand | Other assets: vehicles €thousand | Assets under construction €thousand | Total property, plant and equipment €thousand |
|---|---|---|---|---|---|---|---|---|---|---|
| **GROSS VALUE** | | | | | | | | | | |
| **Opening balance at 1 Jan. 2017** | **69,442** | **4,447** | **4,717** | **175,821** | **6,638** | **69,837** | **18,010** | **46** | **2,026** | **350,984** |
| +/- Reclassifications | - | - | (2) | 576 | (55) | 747 | (76) | - | (1,575) | (385) |
| + Additions | 92 | - | 185 | 15,828 | 480 | 4,977 | 1,085 | - | 1,019 | 23,666 |
| - Disposals | - | - | (98) | (1,231) | (322) | (1,518) | (584) | - | - | (3,753) |
| - Write-offs | - | - | (18) | (3,474) | - | (3,119) | (54) | - | (294) | (6,959) |
| +/- Foreign exchange translation reserve | - | (540) | (53) | (12,762) | (10) | (3,507) | (879) | (6) | (133) | (17,890) |
| +/- Exit from consolidation perimeter | - | - | - | - | 700 | - | - | - | - | 700 |
| **Closing balance at 31 Dec. 2017** | **69,534** | **3,907** | **4,731** | **174,758** | **7,431** | **67,417** | **17,502** | **40** | **1,043** | **346,363** |
| **ACCUMULATED DEPRECIATION AND WRITE-OFFS** | | | | | | | | | | |
| **Opening balance at 1 Jan. 2017** | **(10,978)** | **(1,721)** | **(4,494)** | **(110,390)** | **(5,257)** | **(38,167)** | **(13,025)** | **(9)** | **-** | **(184,041)** |
| +/- Reclassifications | - | - | - | - | - | - | - | - | - | - |
| - Disposals | - | - | 98 | 1,059 | 312 | 1,598 | 686 | - | - | 3,753 |
| + Depreciation charges | (541) | - | (82) | (20,058) | (394) | (5,912) | (1,580) | (9) | - | (28,576) |
| + Write-off | - | - | 55 | 3,914 | - | 2,341 | 14 | - | - | 6,324 |
| + Impairment losses | - | - | - | (1,548) | - | (753) | (156) | - | - | (2,457) |
| +/- Foreign exchange translation reserve | - | 209 | 42 | 8,502 | 10 | 2,220 | 554 | 2 | - | 11,539 |
| +/- Exit from consolidation perimeter | - | - | - | - | (700) | - | - | - | - | (700) |
| **Closing balance at 31 Dec. 2017** | **(11,519)** | **(1,512)** | **(4,381)** | **(118,521)** | **(6,029)** | **(38,673)** | **(13,507)** | **(16)** | **-** | **(194,158)** |
| **Opening net book value** | **58,464** | **2,726** | **223** | **65,431** | **1,381** | **31,670** | **4,985** | **37** | **2,026** | **166,943** |
| **Closing net book value** | **58,015** | **2,395** | **350** | **56,237** | **1,402** | **28,744** | **3,995** | **24** | **1,043** | **152,205** |
| **Change 31 Dec. 2016 vs. 31 Dec. 2017** | **(449)** | **(331)** | **127** | **(9,194)** | **21** | **(2,926)** | **(990)** | **(13)** | **(983)** | **(14,738)** |

| | Land and buildings: business operating assets €thousand | Buildings: non-business operating assets €thousand | Plant and machinery €thousand | Leasehold improvements €thousand | Industrial and commercial equipment €thousand | Other assets: furniture, fixtures and furnishings €thousand | Other assets: office machines and EDP systems €thousand | Other assets: vehicles €thousand | Assets under construction €thousand | Total property, plant and equipment €thousand |
|---|---|---|---|---|---|---|---|---|---|---|
| **GROSS VALUE** | | | | | | | | | | |
| **Opening balance at 1 Jan. 2016** | **69,442** | **-** | **5,441** | **148,600** | **5,215** | **65,392** | **16,713** | **2** | **6,227** | **317,032** |
| +/- Reclassifications | - | 4,303 | (340) | 10,950 | 11 | 245 | 747 | - | (15,845) | 71 |
| + Additions | - | 144 | 100 | 22,520 | 1,405 | 6,352 | 1,213 | 44 | 11,437 | 43,215 |
| - Disposals | - | - | (562) | (3,751) | 5 | (2,348) | (594) | - | - | (7,250) |
| - Write-offs | - | - | - | (3,328) | - | (264) | (162) | - | - | (3,754) |
| +/- Foreign exchange translation reserve | - | - | 78 | 830 | 2 | 460 | 93 | - | 207 | 1,670 |
| **Closing balance at 31 Dec. 2016** | **69,442** | **4,447** | **4,717** | **175,821** | **6,638** | **69,837** | **18,010** | **46** | **2,026** | **350,984** |
| **ACCUMULATED DEPRECIATION AND WRITE-OFFS** | | | | | | | | | | |
| **Opening balance at 1 Jan. 2016** | **(10,157)** | **-** | **(4,960)** | **(90,698)** | **(4,168)** | **(34,232)** | **(12,187)** | **(2)** | **-** | **(156,404)** |
| +/- Reclassifications | - | - | 69 | (864) | - | 663 | 107 | - | - | (25) |
| - Disposals | - | - | 544 | 3,199 | 109 | 2,159 | 585 | - | - | 6,596 |
| + Depreciation charges | (821) | - | (91) | (18,053) | (1,189) | (6,204) | (1,446) | (7) | - | (27,811) |
| + Impairment losses | - | (1,639) | (30) | (2,765) | (7) | (475) | 6 | - | - | (4,910) |
| +/- Foreign exchange translation reserve | - | (82) | (26) | (1,209) | (2) | (78) | (90) | - | - | (1,487) |
| **Closing balance at 31 Dec. 2016** | **(10,978)** | **(1,721)** | **(4,494)** | **(110,390)** | **(5,257)** | **(38,167)** | **(13,025)** | **(9)** | **-** | **(184,041)** |
| **Opening net book value** | **59,285** | **-** | **481** | **57,902** | **1,047** | **31,160** | **4,526** | **-** | **6,227** | **160,628** |
| **Closing net book value** | **58,464** | **2,726** | **223** | **65,431** | **1,381** | **31,670** | **4,985** | **37** | **2,026** | **166,943** |
| **Change 31 Dec. 2015 vs. 31 Dec. 2016** | **(821)** | **2,726** | **(258)** | **7,529** | **334** | **510** | **459** | **37** | **(4,201)** | **6,315** |

‘Property, plant and equipment’ amount to €152,205 thousand as of 31 December 2017 (€166,943 thousand as of 31 December 2016) and comprises mainly the following:

- Leasehold improvements for €174,758 thousand (gross) as of 31 December 2017 (€175,821 thousand (gross) as of 31 December 2016). As 31 December 2017, this comprises renovation costs incurred for leasehold assets, mostly boutiques operated directly by the Group; the improvements are primarily related to Europe (€49,071 thousand), North America (€56,789 thousand), and the Asia Pacific region (€68,262 thousand);
- Other assets for €84,959 thousand (gross) as of 31 December 2017 (€87,893 thousand (gross) as of 31 December 2016). As 31 December 2017, this comprises the purchase costs of furniture and fixtures for €67,471 thousand (gross), primarily related to Europe for €40,955 thousand, North America for €14,876 thousand, the Asia Pacific region for €4,676 thousand and Japan for €6,664 thousand. This item also includes the cost of office machines for €17,502 thousand (gross), primarily attributable to Europe for €8,596 thousand, North America for €4,597 thousand and the Asia Pacific region for €3,752 thousand. The balance also includes €40 thousand (gross) for vehicles;
- Assets under construction for €1,043 thousand (gross) as of 31 December 2017 (€2,026 thousand (gross) as of 31 December 2016);
- Industrial and commercial equipment for €7,431 thousand (gross) as of 31 December 2017 (€6,638 thousand (gross) as of 31 December 2016);
- Plant and machinery for €4,731 thousand (gross) as of 31 December 2017 (€4,717 thousand (gross) as of 31 December 2016);
- Land and buildings for €69,534 thousand (gross) as of 31 December 2017 (€69,442 thousand (gross) as of 31 December 2016). As 31 December 2017, this relates mainly to: i) €57,578 thousand and €9,216 (gross) related to building owned by the subsidiary Verim and the Company; and ii) €2,719 thousand (gross), relating to a property in Novara used as a warehouse;
- Buildings that are not business operating assets for €3,907 thousand (gross) as of 31 December 2017 (€4,447 thousand (gross) as of 31 December 2016), relating to the value of apartments owned by the subsidiary Creek Apartments Ltd, reclassified from ‘Assets under construction’ during 2016 following the transfer of ownership. The apartments are not business operating assets for the Group and, accordingly, are not depreciated. Their sale has started, but the requirements for classifying the items in current assets in accordance with IFRS 5 have not been met.

Additions in the year 2017, totaling €23,666 thousand (gross), comprise mainly the following:

- Leasehold improvements for €15,828 thousand, related to the renovation of boutiques, offices and outlet stores;
- Furniture and fixtures for boutiques for €4,977 thousand;
- Office machines for €1,085 thousand;
- Assets under construction for €1,019 thousand.

The additions are attributable mostly to the Asia Pacific region for €12,312 thousand, Europe for €9,454 thousand, North America for €974 thousand and Japan for €736 thousand.

Decreases in the year 2017, equal to €3,753 thousand (gross), are mainly attributable to leasehold improvements (€1,231 thousand), furniture/furnishings for boutiques (€1,518 thousand), office machines/EDP systems (€584 thousand) and industrial and commercial equipment (€322 thousand).

During the year write-downs and write-offs were recorded for a total of €3,092 thousand in relation to certain stores that were closed or refurbished, or whose profitability was found to be insufficient to recover previous expenditure.

There are three mortgages on the building located in Milan – Via Gesù 12 (first, second and third degree, amounting respectively to €60,000 thousand, €42,000 thousand and €15,800 thousand) in order to secure the financing received from Intesa San Paolo bank, recorded as liabilities in the related line item of the consolidated statement of financial position (see note 7.14 'Bank borrowings and other (current and non-current) financial liabilities').

Additions in the year 2016, totaling €43,215 thousand (gross), comprise the following:

- Expenditures on new projects for €30,527 thousand, mainly relating to leasehold improvements for €16,177 thousand, assets under construction for €9,260 thousand and furniture/furnishings for boutiques for €4,069 thousand. Those additions relate to: North America for €9,400 thousand, Asia for €17,309 thousand, Europe for €2,849 thousand and Japan for €825 thousand.
- Expenditures on existing projects for €12,688 thousand, mainly for leasehold improvements (€6,343 thousand) and purchases of furnishings for boutiques (€2,239 thousand). Increases are attributable for the most part to Europe for €7,963 thousand, Asia for €4,155 thousand and Brazil for €571 thousand.

Decreases in the year 2016, equal to €7,250 thousand (gross), are mainly related to leasehold improvements (€3,751 thousand), furniture/furnishings for boutiques (€2,348 thousand), office machines/EDP systems (€594 thousand) and plant and machinery (€562 thousand).

During the year write-downs and write-offs were recorded for a total of €8,664 thousand, comprised of:

- €7,025 thousand in relation to certain stores which the Group decided to close or refurbish, or that were found to be insufficiently profitable to allow the recovery of the related capital expenditure;
- €1,639 thousand in relation to the properties owned by the subsidiary Creek Apartments, following an updated appraisal by an independent third party based on comparable.

### 7.3 Deferred tax assets

Deferred tax assets amount to €41,774 thousand as of 31 December 2017 (€40,175 thousand as of 31 December 2016). Movements are detailed in the note on 'Deferred tax liabilities,' to which reference is made.

### 7.4 Other receivables and other non-current assets

Details of 'Other receivables and other non-current assets' as of 31 December 2017 and 2016 are provided below:

| | ***31 December 2017 €thousand*** | ***31 December 2016 €thousand*** |
|---|---|---|
| ***Other receivables and other non-current assets*** | | |
| Guarantee deposits | 19,165 | 22,157 |
| Tax receivables falling due after one year | 5,656 | 5,656 |
| Accrued income and prepayments falling due after one year | 953 | 1,041 |
| Other receivables falling due after one year | 363 | 592 |
| **Total** | **26,137** | **29,446** |

'Guarantee deposits' relates to deposits paid for leases in place and for sundry utility contracts and are attributable to Europe (€5,197 thousand as of 31 December 2017 and €5,754 thousand as of 31 December 2016), the Asia Pacific region (€10,768 thousand as of 31 December 2017 and €12,680 thousand as of 31 December 2016), Japan (€2,207 thousand as of 31 December 2017 and €2,592 thousand as of 31 December 2016) and North America (€993 thousand as of 31 December 2017 and €1,131 thousand as of 31 December 2016).

‘Tax receivables falling due after one year’ includes, among others, receivables for income taxes paid as result of a tax audit of the Company for fiscal years from 1999 to 2004 for which a tax dispute is still on going. A tax provision related to the same tax dispute is included within ‘Provision for Risks and Charges’.

‘Accrued income and prepayments falling due after one year’ relates for €590 thousand as of 31 December 2017 (same amount as of 31 December 2016) to prepaid expenses relating to the restoration of Galleria Vittorio Emanuele in Milan and for €363 thousand (€451 thousand as 31 December 2016) to the recognition of rent on a straight-line basis.

‘Other receivables falling due after one year’ comprises the long-term portion of the charges incurred by the Group to obtain revolving credit lines.

### 7.5 Trade receivables

‘Trade receivables’ as of 31 December 2017 and 2016 is analyzed as follows:

| | *31 December 2017* *€thousand* | *31 December 2016* *€thousand* |
|---|---|---|
| ***Trade receivables*** | | |
| Trade receivables from third parties | 77,876 | 81,998 |
| Bills receivable | 570 | 432 |
| Impairment of receivables | (6,437) | (6,668) |
| **Total** | **72,009** | **75,762** |

| | *31 December 2017* *€thousand* | *31 December 2016* *€thousand* |
|---|---|---|
| ***Impairment of receivables*** | | |
| Balance as of 1 January | 6,668 | 6,117 |
| Amount provided | 1,118 | 1,979 |
| Translation reserve | (247) | 75 |
| Amount released/utilized | (1,102) | (1,503) |
| **Total** | **6,437** | **6,668** |

For additional comments on credit quality, see note 5 ‘Disclosure of financial risks’.

It should be noted that at the reporting date there were no receivables falling due after five years, nor a concentration on a limited number of debtors.

Trade receivables as of 31 December 2017 and 2016 are broken down by geographical area as follows:

| | *31 December 2017* *€thousand* | *31 December 2016* *€thousand* |
|---|---|---|
| ***Trade receivables by geographical area*** | | |
| ITALY | 21,671 | 23,002 |
| EU | 17,136 | 14,675 |
| EUROPE NON EU | 346 | 1,289 |
| NORTH AMERICA | 5,226 | 6,689 |
| JAPAN | 630 | 601 |
| ASIA | 20,997 | 24,240 |
| REST OF THE WORLD | 6,003 | 5,266 |
| **Total** | **72,009** | **75,762** |

### 7.6 Inventories

'Inventories' as of 31 December 2017 and 2016 is analyzed as follows:

| | ***December 31, 2017*** | ***31 December 2016*** |
|---|---|---|
| | ***€thousand*** | ***€thousand*** |
| ***Inventories*** | | |
| Raw materials and semi-finished products | 30,539 | 23,645 |
| Finished products | 173,026 | 180,715 |
| Provision for obsolescence - raw materials and semi-finished products | (7,817) | (8,961) |
| Provision for obsolescence - finished products | (48,480) | (57,344) |
| **Total** | **147,268** | **138,055** |

The provision for obsolescence at each closing date reasonably reflects technical and stylistic obsolescence of items in stock.

### 7.7 Current tax assets

'Current tax assets' amounts to €22,554 thousand as of 31 December 2017 (€18,187 thousand as of 31 December 2016).
The increase in FY 2017 as compared to FY 2016 reflects for the most part the recognition of tax receivables of previous years originating from the regime known as 'Patent Box' (for additional details of the current taxes of the year, see note 8.9 "Taxes").

### 7.8 Other receivables and other current assets, current financial assets

'Other receivables and other current assets' as of 31 December 2017 and 2016 is analyzed below:

| | ***December 31, 2017*** | ***31 December 2016*** |
|---|---|---|
| | ***€thousand*** | ***€thousand*** |
| ***Other receivables and other current assets*** | | |
| VAT receivables from Revenue (falling due within one year) | 8,035 | 3,933 |
| Receivables from others (falling due within one year) | 3,248 | 3,409 |
| Rent and shared building expenses | 3,156 | 3,336 |
| Accrued income and prepayments | 820 | 1,161 |
| Payments on account to suppliers | 632 | 379 |
| Guarantee deposits (falling due within one year) | 675 | 675 |
| Receivables from employees (falling due within one year) | 347 | 298 |
| **Total** | **16,913** | **13,191** |

'Receivables from others', amounting to €3,248 thousand as of 31 December 2017 (€3,409 thousand as of 31 December 2016), comprises receivables from insurers and miscellaneous receivables from third parties.

'Rent and shared building expenses', amounting to €3,156 thousand as of 31 December 2017 (€3,336 thousand as of 31 December 2016), includes the portion not related to the reporting period of rent for boutiques and is broken down by geographical area as follows:

| | ***31 December 2017*** | ***31 December 2016*** |
|---|---|---|
| | ***€thousand*** | ***€thousand*** |
| ***Rent and shared building expenses by geographical areas*** | | |
| Asia Pacific | 1,755 | 1,953 |
| Europe | 1,213 | 1,113 |
| Japan | 188 | 270 |
| | **3,156** | **3,336** |

‘Guarantee deposits’ relates to the short-term portion of a deposit paid for the boutique in via Montenapoleone, Milan.

‘Financial assets (derivative financial instruments and embedded derivatives)’ amount to €4,062 thousand as of 31 December 2017 (€660 thousand as of 31 December 2016) and comprises the positive fair value of derivative instruments hedging exchange rate risk.

### 7.9 Cash and cash equivalents

‘Cash and cash equivalents’ as of 31 December 2017 and 2016 is analyzed below:

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| | *€thousand* | *€thousand* |
| ***Cash and cash equivalents*** | | |
| Cash in hand, cash equivalents and checks | 4,261 | 1,841 |
| Bank deposits and credit card balances | 26,008 | 35,778 |
| **Total** | **30,269** | **37,619** |

For further details, see the cash flow statement.

### 7.10 Shareholders’ equity

Movements in equity reserves are detailed in a primary statement of these Consolidated Financial Statements.

As of 31 December 2017, share capital amounted to €10,000 thousand, fully paid in, and divided into 10,000,001 shares with no par value.

*Management Incentive Plan*

On 8 July 2015, the general meeting of the subsidiary Gianni Versace resolved a capital increase up to a maximum of €2,000,000 to be carried out though the issuance, in one or more tranches, of 111,428 class C shares and 111,428 class D shares to service the Management Incentive Plan (for employees, consultants and directors). The capital increase was partly subscribed and paid in on the same date, through the issuance of 46,522 class C shares (increase in share capital of €46,522 and increase in share premium reserve of €605,268) and 46,522 class D shares (increase in share capital of €46,522 and increase in share premium reserve of €133,555).

In the course of 2016 a further capital increase took place through the issuance of an additional 56,550 class C shares and an additional 56,550 class D shares (increase in share capital of €113,100 and increase in share premium reserve of €898,080). On 4 October 2016, treasury shares (22,286 class C shares and 22,286 class D shares) were repurchased for a total of €398,500, recognized against ‘Other reserves’.

The following table analyses movements in treasury shares during 2017, recognized against 'Other reserves':

| Date | Description | whereof class C shares | | whereof class D shares | | TOTAL Treasury shares | |
|---|---|---|---|---|---|---|---|
| | | Number | Value | Number | Value | Number | Value |
| | **Balance as of 31 Dec. 2016** | **22,286** | **312,235** | **22,286** | **86,265** | **44,572** | **398,500** |
| 20/01/2017 | Repurchase | 8,078 | 113,176 | 8,078 | 31,268 | 16,156 | 144,444 |
| 30/01/2017 | Repurchase | 6,964 | 81,897 | 6,964 | 26,956 | 13,928 | 108,853 |
| 16/03/2017 | Repurchase | 10,864 | 127,761 | 10,864 | 26,961 | 21,728 | 154,722 |
| 23/05/2017 | Repurchase | 2,507 | 29,482 | 2,507 | 9,704 | 5,014 | 39,186 |
| 23/05/2017 | Sale/Grant | (12,177) | (143,202) | (33,428) | (87,581) | (45,605) | (230,783) |
| 07/06/2017 | Repurchase | 7,522 | 88,459 | 7,522 | 29,116 | 15,044 | 117,575 |
| 17/07/2017 | Repurchase | 18,943 | 247,841 | 18,943 | 58,221 | 37,886 | 306,062 |
| 09/11/2017 | Repurchase | 2,786 | 34,936 | 2,786 | 10,784 | 5,572 | 45,720 |
| | **Balance as of 31 Dec. 2017** | **67,773** | **892,585** | **46,522** | **191,694** | **114,295** | **1,084,279** |

Class C shares ("Side-by-side equity") have the same dividend and voting rights as existing class A and B shares, carry restrictions on transfer, carry a right of joint sale with class A and B shares, are subject to a drag-along right in the event of sale of class A and B shares and entitle the subscriber to sell at a price equal to the subscription price; this right is to be exercised within 20 working days after 2 April 2022.

In the event of flotation or a sale of significant stakes by the holders of class A and B shares, the right vests immediately and proportionally and class C shares are converted into ordinary shares with a ratio of 1: 1.

Also, put and call options are envisaged in the event of early termination of employment, office and/or consulting relationship; in this case, the price of class C shares is equal to fair value at the date of termination.

Class D shares ("Sweet equity") have limited dividend rights and no voting rights, carry restrictions on transfer, carry a right of joint sale with class A and B shares and are subject to a drag-along right in the event of sale of class A and B shares.

In the event of flotation or a sale of significant stakes by the holders of class A and B shares, the right vests immediately and proportionally, and class D shares are converted into ordinary shares with a ratio based on the spread between the value of the Group on the date of the event and the value defined on 3 April 2014, increased by a minimum compound annual internal rate of return calculated on that date.

Put and call options are envisaged in the event of early termination of employment, office and/or consulting relationship that vest at 25% per annum from the date of subscription of the shares (except in the event of death and permanent disability, in which case they vest automatically and for all of the assigned rights); in those cases the price for vested and non-vested shares differs depending on the reasons for the early termination.

At 31 December 2017, 35,299 class C shares and 56,550 class D shares were outstanding.

The value of class C and D shares (including the related rights) sold or assigned during 2017 was determined based on an appraisal by an independent third party.

In detail, the fair value of class C shares upon subscription was determined as the average of the values resulting from the application in the valuation of class A and B shares of the discounted cash flow method, the stock market multiples approach and the method based on implicit multiples in similar transactions, and adding the value of the accompanying options. The options were valued using a model that simulated different yield scenarios at 3 April 2022, starting from a statistical distribution of the historical yields of fashion-luxury securities in the years 1995-2015, and discounting the resulting cash flows using a rate of 9.3%. Scenarios contemplating the early termination of employment, office and/or consulting relationship were assigned a probability equal to zero.

The value of class D shares was determined solely with reference to the value of the associated rights, representing the right to participate in capital gains in the situations mentioned above. Class D shares were valued using a model that simulated different yield to maturity scenarios, starting from a statistical distribution of the historical yields of fashion-luxury securities in the years 1995-2015, and discounting the resulting cash flows using a rate of 9.3%. Scenarios contemplating the early termination of employment, office and/or consulting relationship were assigned a probability equal to zero.

Repurchases during the year were made at the following prices:

- For class C shares, at a price equal to the fair value determined based on updated appraisals by an independent third party, where the discount rate used was 10%;
- For class D shares, at a nominal price or a price equal to the subscription value, depending on the reason for the early termination (bad or good leavers, respectively) and in accordance with the rules set out in the Company's Articles of Association and the regulations of the Management Incentive Plan.

The rights associated with the above-mentioned classes of shares do not give rise to a cost for the Group under IFRS 2 because the shares are subscribed at fair value.

*Other reserves*

'Other reserves', totaling €193,859 thousand, is carried net of the transactions costs incurred for the share capital increase of the subsidiary Gianni Versace completed in 2014, which were recognized in equity based on the ratio of the number of new shares for subscription to the number of shares for subscription and sale, for an amount of €3,586 thousand (after the tax effect), in accordance with IAS 32.

On 26 April 2017 and 2 August 2017 the shareholders of the Company approved the distribution of dividends for a total of €9 million (€0,40 per share) which were paid during the year. The distributions were approved on 26 April 2017 and 2 August 2017 for €5 million and €4 million, respectively.

The decrease of €526 thousand in "Other Reserves" was due to the obligations of the Group towards its minority shareholders, arising from the execution of the investment agreement for Gianni Versace shares on the 27 February 2014. In line with the original capital gain classification deriving from the transfer of the minority shares recorded in "Other Reserves", representing a transaction with owners under IFRS 10, reserve decreased by the corresponding amount with compensation on "Other payables and other non-current liabilities".

*Non-controlling interests*

'Non-controlling interests', totaling €46,532 thousand, mainly relates to the sub-group at Gianni Versace consolidation level representing 99% of GIVI Holding's consolidated figures except for certain non-core assets owned by GIVI Holding and Verim.

As for capital management, the objectives of the Group are: (i) to safeguard the entity in a going-concern perspective, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and (ii) maintain an optimal capital structure to reduce the cost of capital. In addition, in order to maintain or adjust the capital structure, the Group may regulate the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### 7.11 Provisions for risks and charges

Movements in provisions for risks and charges for the years ended 31 December 2017 and 2016 are detailed below:

| | *Opening balance* *€thousand* | *Charge in the period* *€thousand* | *Utilization/Release* *€thousand* | *Exchange differences* *€thousand* | *Total* *€thousand* |
|---|---|---|---|---|---|
| ***Provisions for risks and charges as of 31 December 2017*** | | | | | |
| Provision for litigation and other risks | 9,192 | 1,003 | (5,703) | (76) | **4,416** |
| Provision for sales returns | 1,970 | 2,541 | (1,970) | (66) | **2,475** |
| Provision for agents' liability indemnity | 1,658 | 208 | (31) | - | **1,835** |
| Provision for restructuring and reorganization | 1,197 | 1,277 | (332) | (6) | **2,136** |
| Provision for maintenance and restoration of leasehold properties | 3,236 | 675 | (211) | (267) | **3,433** |
| **Total** | **17,253** | **5,704** | **(8,247)** | **(415)** | **14,295** |

| | *Opening balance* *€thousand* | *Charge in the period* *€thousand* | *Utilization/Release* *€thousand* | *Exchange differences* *€thousand* | *Total* *€thousand* |
|---|---|---|---|---|---|
| ***Provisions for risks and charges as of 31 December 2016*** | | | | | |
| Provision for litigation and other risks | 7,255 | 4,691 | (2,774) | 20 | **9,192** |
| Provision for sales returns | 1,000 | 1,970 | (1,000) | - | **1,970** |
| Provision for agents' liability indemnity | 1,544 | 208 | (95) | 1 | **1,658** |
| Provision for restructuring and reorganization | 650 | 1,017 | (470) | - | **1,197** |
| Provision for maintenance and restoration of leasehold properties | 2,653 | 602 | (58) | 39 | **3,236** |
| **Total** | **13,102** | **8,488** | **(4,397)** | **60** | **17,253** |

'Provisions for risks and charges' totaled €14,295 thousand as of 31 December 2017 (€17,253 thousand as of 31 December 2016). The heading comprises the following provisions: 'Provision for litigation and other risks' equal to €4,416 thousand as of 31 December 2017 (€9,192 thousand from 31 December 2016). The portion of the provision relating to fiscal risks decreased by €5,416 thousand during 2017, whereof:

a) €4,300 thousand was used in connection with the settlement of the tax dispute following the tax audit of 2016 of the subsidiary Gianni Versace with respect to the fiscal years 2011, 2012 and 2013. On 8 February 2017, in the interest of settling the taxes and penalties claimed by the Italian tax authority, although the Company believed that it had not breached any tax laws, the Company filed applications for agreement to the tax authority's settlement proposals in relation to the matters set out in the notices of assessment issued for the fiscal year 2011. On 25 May 2017 with respect to the fiscal year 2011 and on 29 May 2017 with respect to the fiscal years 2012 and 2013, the subsidiary Gianni Versace, with a view to settling and avoiding possible further disputes, reached an agreement with the Tax Authority, agreeing to pay a total of €7,762 thousand in additional taxes plus penalties and interest. The amount is divided into 16 equal quarterly instalments payable starting from June 2017. The impact on profit and loss for the year ended 31 December 2017 was equal to €3,462 thousand and was reported on the line 'Taxes' (less the amount previously provided).
b) €1,117 thousand was released from the amount provided in previous years with regard to the subsidiary Versace France S.A. In 2005, and again in 2012, the French subsidiary had submitted two separate applications for mutual agreement procedures ("MAP") to the French tax authorities to eliminate the double taxation that had arisen as a result of assessments issued in respect of the fiscal years 2001 to 2009 concerning alleged excess costs deducted in France in relation to the purchase prices for finished products paid to the current GIVI Holding for the years 2001 to 2004 and to the subsidiary Gianni Versace for the years 2005 to 2009. Following the agreement reached

on the MAP, it was also possible to resolve the issue raised by the French tax authorities relating to the withholding tax on the so-called hidden profit distribution connected with the alleged excess purchase prices paid to the Company.

The remainder of the provision comprises a provision for management incentives for €1,000 thousand, a provision for litigation of €751 thousand, sundry insurance provisions of foreign entities for €53 thousand and other minor items for €106 thousand.

i) 'Provision for sales returns' of €2,475 thousand as of 31 December 2017 (€1,970 thousand as of 31 December 2016). This relates to the estimated amount of returns on sales of the seasons Fall/Winter 2017 and Spring/Summer 2018 made in the wholesale and e-commerce channels during the year that will probably be received during the following year;
ii) 'Provision for agents' liability indemnity' of €1,835 thousand as of 31 December 2017 (€1,658 thousand as of 31 December 2016). This relates to the annual portion of the cumulative indemnity earned by sales agents based on the age of the individual agency agreements in accordance with existing laws (art. 1751 of the Italian Civil Code) and contracts;
iii) 'Provision for termination incentives' of €2,136 thousand as of 31 December 2017 (€1,197 thousand as of 31 December 2016) relating to costs to be incurred for the termination of certain executive managers of the Group;
iv) 'Provision for maintenance and restoration of leasehold properties' of €3,433 thousand as of 31 December 2017 (€3,236 thousand as of 31 December 2016). This relates to the costs to be incurred to restore leasehold properties to their original conditions when they are vacated.

## 7.12 Employee benefit obligations

'Employee benefit obligations' comprises the liability of Gianni Versace and of Verim for the employee severance indemnity (TFR), respectively equal to €2,603 thousand and €134 thousand, as of 31 December 2017 (respectively €2,853 thousand and €139 thousand as of 31 December 2016), and liabilities for defined benefit plans of certain foreign subsidiaries for the remaining €302 thousand as of 31 December 2017 (€354 thousand as of 31 December 2016). Movements in the years ended 31 December 2017 and 2016 are detailed as follows:

| | *31 December 2017 €thousand* | *31 December 2016 €thousand* |
|---|---|---|
| ***Employee benefit obligations*** | | |
| Opening balance | 2,853 | 2,933 |
| Financial charges | 42 | 57 |
| Benefits paid | (257) | (169) |
| Actuarial (gains)/losses | | |
| - Demographic assumptions | - | - |
| - Financial assumptions | - | 78 |
| - Other | (35) | (46) |
| **Total Gianni Versace SpA** | **2,603** | **2,853** |
| Other Group entities | 436 | 484 |
| **Total GIVI Holding** | **3,039** | **3,337** |

The financial and demographic assumptions used in actuarial valuations are detailed below.

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| ***Employee benefit obligations (GIVI Holding)*** | | |
| ***Financial assumptions*** | | |
| Inflation rate | 1.5% | 1.5% |
| Discount rate | 1.5% | 1.5% |
| Rate of increase in TFR | n.a. | n.a. |
| ***Demographic assumptions*** | | |
| Probability of death | Table RG48 of Ragioneria Generale dello Stato (the comptroller general) | Table RG48 of Ragioneria Generale dello Stato (the comptroller general) |
| Probability of inability | Study by Università di Roma for CNR, reduced by 70% | Study by Università di Roma for CNR, reduced by 70% |
| Retirement age | Based on current pension laws | Based on current pension laws |
| Probability of voluntary termination | 3% up to 55 years; 0% thereafter | 3% up to 55 years; 0% thereafter |
| Probability of advance payments out of the TFR balance | 3% | 3% |

A sensitivity analysis carried out with a change in the underlying variables (+/- 0.25% on the discount rate) did not show any significant impact.

### 7.13 Deferred tax liabilities

This item shows the net balance of deferred tax assets and liabilities arising from temporary differences between the carrying amounts of assets and liabilities and the respective tax bases.

Movements in the years ended 31 December 2017, with the related impact on profit or loss, or equity, are detailed in the following table:

| | 31 December 2016 | Releases/ Charges to comprehensive income | Releases/ Charges to equity | Foreign exchange translation reserve | 31 December 2017 |
|---|---|---|---|---|---|
| | €thousand | €thousand | €thousand | €thousand | €thousand |
| **Deferred tax assets and liabilities** | | | | | |
| ***Deferred tax assets*** | | | | | |
| Inventories (obsolescence provisions and IC margin) | **20,676** | 297 | - | (707) | **20,266** |
| Depreciation of tangible assets | **1,329** | (246) | - | - | **1,083** |
| Tax losses (including ACE benefit pursuant to Law Decree 201/2011) | **5,662** | 2,628 | - | - | **8,290** |
| Receivables (bad debt provision) | **1,314** | 400 | - | (24) | **1,690** |
| Taxed charges to provisions | **1,674** | 289 | - | (104) | **1,859** |
| Taxed deferred income | **2,091** | (349) | - | - | **1,742** |
| Exchange differences from commercial transactions | **3,478** | (1,755) | - | - | **1,723** |
| Recognition of lease payments on a straight-line basis | **1,066** | 332 | - | (46) | **1,352** |
| Employee benefits (TFR) | **139** | 28 | (34) | (3) | **130** |
| Capital gains | **114** | (1) | - | - | **113** |
| Goodwill | **278** | (6) | - | - | **272** |
| Other minor items | **2,354** | 907 | - | (7) | **3,254** |
| **Total deferred tax assets** | **40,175** | **2,524** | **(34)** | **(891)** | **41,774** |
| ***Deferred tax liabilities*** | | | | | |
| Trademarks | **(135)** | - | - | - | **(135)** |
| Land and buildings | **(4,889)** | 598 | - | - | **(4,291)** |
| Exchange differences from commercial transactions | **(2,191)** | (610) | - | - | **(2,801)** |
| Finance lease | **(463)** | 22 | - | - | **(441)** |
| Recognition of lease payments on a straight-line basis | **(93)** | (38) | - | - | **(131)** |
| Other minor items | **(154)** | 3 | - | - | **(151)** |
| **Total deferred tax liabilities** | **(7,925)** | **(25)** | **-** | **-** | **(7,950)** |
| **Total deferred tax liabilities, net** | **32,250** | **2,499** | **(34)** | **(891)** | **33,824** |

Movements in the years ended 31 December 2016, with the related impact on profit or loss, or equity, are detailed in the following table:

| | 31 December 2015 | Releases/ Charges to comprehensive income | Releases/ Charges to equity | Foreign exchange translation reserve | 31 December 2016 |
|---|---|---|---|---|---|
| | €thousand | €thousand | €thousand | €thousand | €thousand |
| **Deferred tax assets and liabilities** | | | | | |
| ***Deferred tax assets*** | | | | | |
| Inventories (obsolescence provisions and IC margin) | **24,849** | (3,043) | - | (1,130) | **20,676** |
| Depreciation of tangible assets | **1,235** | 94 | - | - | **1,329** |
| Tax losses (including ACE benefit pursuant to Law Decree 201/2011) | **-** | 5,662 | - | - | **5,662** |
| Receivables (bad debt provision) | **1,237** | 77 | - | - | **1,314** |
| Taxed charges to provisions | **1,238** | 425 | - | 11 | **1,674** |
| Taxed deferred income | **2,529** | (438) | - | - | **2,091** |
| Exchange differences from commercial transactions | **3,216** | 262 | - | - | **3,478** |
| Recognition of lease payments on a straight-line basis | **979** | 114 | - | (27) | **1,066** |
| Employee benefits (TFR) | **131** | (1) | 15 | (6) | **139** |
| Capital gains | **114** | - | - | - | **114** |
| Goodwill | **300** | (22) | - | - | **278** |
| Other minor items | **4,084** | (1,741) | - | 11 | **2,354** |
| **Total deferred tax assets** | **39,912** | **1,389** | **15** | **(1,141)** | **40,175** |
| ***Deferred tax liabilities*** | | | | | |
| Trademarks | **(135)** | - | - | - | **(135)** |
| Land and buildings | **(4,949)** | 60 | - | - | **(4,889)** |
| Exchange differences from commercial transactions | **(3,286)** | 1,095 | - | - | **(2,191)** |
| Finance lease | **(402)** | (61) | - | - | **(463)** |
| Recognition of lease payments on a straight-line basis | **49** | (142) | - | - | **(93)** |
| Other minor items | **(544)** | 390 | - | - | **(154)** |
| **Total deferred tax liabilities** | **(9,267)** | **1,342** | **-** | **-** | **(7,925)** |
| **Total deferred tax liabilities, net** | **30,645** | **2,731** | **15** | **(1,141)** | **32,250** |

Deferred tax assets potentially available for recognition on tax losses of previous years not deducted for tax purposes amount to €61,753 thousand as of 31 December 2017.

They were not recognized because the requirements of IAS 12 for capitalization were not met.

| | As of 31 December 2017 | |
|---|---|---|
| | Total | Theoretical tax charge |
| Year of expiry | €thousand | €thousand |
| 2018 | **5,729** | **1,736** |
| 2019 | **2,045** | **420** |
| 2020 | **2,952** | **558** |
| 2022 | **1,255** | **392** |
| 2022 onwards | **133,346** | **35,265** |
| No time limit | **75,966** | **23,382** |
| **Total tax loss carryforwards** | **221,293** | **61,753** |

### 7.14 Bank borrowings and other (current and non-current) financial liabilities

The following table analyses current and non-current financial liabilities as of 31 December 2017 and 2016:

| | *31 December 2017 €thousand* | | | *31 December 2016 €thousand* | | |
|---|---|---|---|---|---|---|
| ***Bank borrowings and other financial liabilities*** | **Total** | ***Current*** | ***Non-current*** | **Total** | ***Current*** | ***Non-current*** |
| Long-term loans | 57,246 | *4,987* | *52,259* | 57,535 | *6,117* | *51,418* |
| Short-term credit facilities | 10,220 | *10,220* | - | 108 | *108* | - |
| Other financial debts (derivative instruments) | 342 | *342* | - | 5,169 | *5,169* | - |
| Borrowing charges | 125 | *125* | - | 126 | *126* | - |
| Debit balances on bank accounts | 3,867 | *3,867* | - | 3,205 | *3,205* | - |
| Due to leasing companies | *174* | *65* | *109* | - | - | - |
| **Total** | **71,974** | **19,606** | **52,368** | **66,143** | **14,725** | **51,418** |

The following table analyses financial liabilities as of 31 December 2017 and 2016 showing both the current and the non-current portion:

| | *31 December 2017* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| ***Bank borrowings and other financial liabilities*** | ***Original amount*** | ***Drawn down*** | ***Available*** | ***Inception date*** | ***Maturity date*** | ***Interest rate*** | ***Amount Due*** | ***Due within 1 year*** | ***Due between 1 and 5 years*** | ***Due after 5 years*** |
| | ***€thousand*** | ***€thousand*** | ***€thousand*** | | | | ***€thousand*** | ***€thousand*** | ***€thousand*** | ***€thousand*** |
| ***Linee term*** | | | | | | | | | | |
| Banca Popolare di Milano - Tranche 1 | 10,000 | | | 31 July 2013 | 31 July 2018 | 3-month Euribor + 85 bps | 2,000 | 2,000 | - | - |
| Banca Popolare di Milano - Tranche 2 | 3,000 | | | 28 July 2016 | 31 July 2018 | 3-month Euribor + 85 bps | 1,200 | 1,200 | - | - |
| Intesa Sanpaolo (*) | 15,000 | | | 31 December 2005 | 31 december 2030 | 3% yearly | 4,377 | 279 | 1,205 | 2,893 |
| Intesa Sanpaolo (*) | 21,000 | | | 31 December 2010 | 31 december 2030 | 3% yearly | 13,597 | 865 | 3,743 | 8,989 |
| Intesa Sanpaolo (*) | 7,900 | | | 30 June 2017 | 31 december 2030 | 3% yearly | 7,660 | 487 | 2,109 | 5,064 |
| ***Linee revolving*** | | | | | | | | | | |
| RCF Synd. Loan 2015 | 250,000 | 30,000 | 220,000 | 30 July 2015 | 30 July 2020 | 1-, 2-, 3- or 6-month Euribor + 0.85 bps | 30,000 | - | 30,000 | - |
| Simest loan | 2,370 | | | 3 August 2012 | 3 August 2019 | 0.4994% half-yearly | 948 | 474 | 474 | - |
| Due to leasing companies (DLL) | 184 | | | 1 September 2017 | 1 August 2022 | - | 174 | 65 | 109 | - |
| Short-term credit facilities (BNL) | - | | | - | - | - | 10,000 | 10,000 | - | - |
| Short-term credit facilities (Turkey) | - | | | - | - | - | 220 | 220 | - | - |
| Debit balances on bank accounts | - | | | - | - | - | 3,867 | 3,867 | - | - |
| Other financial debts (derivative instruments) | - | | | - | - | - | 342 | 342 | | - |
| Accrued interest on borrowings | - | | | - | - | - | 125 | 125 | - | - |
| Amortized cost | - | | | - | - | - | (2,536) | (318) | (1,098) | (1,120) |
| **Total** | | | | | | | **71,974** | **19,606** | **36,542** | **15,826** |

| | *31 December 2016* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| ***Bank borrowings and other financial liabilities*** | ***Original amount*** | ***Drawn down*** | ***Available*** | ***Inception date*** | ***Maturity date*** | ***Interest rate*** | ***Amount Due*** | ***Due within 1 year*** | ***Due between 1 and 5 years*** | ***Due after 5 years*** |
| | ***€thousand*** | ***€thousand*** | ***€thousand*** | | | | ***€thousand*** | ***€thousand*** | ***€thousand*** | ***€thousand*** |
| ***Linee term*** | | | | | | | | | | |
| Banca Popolare di Milano - Tranche 1 | 10,000 | | | 31 July 2013 | 31 July 2018 | 3-month Euribor + 85 bps | 4,000 | 2,000 | 2,000 | - |
| Banca Popolare di Milano - Tranche 2 | 3,000 | | | 28 July 2016 | 31 July 2018 | 3-month Euribor + 85 bps | 2,400 | 1,200 | 1,200 | - |
| Intesa Sanpaolo (*) | 15,000 | 5,099 | - | 31 December 2005 | 31 December 2020 | 4,38% yearly | 5,099 | 1,185 | 3,914 | - |
| Intesa Sanpaolo (*) | 21,000 | 14,658 | - | 31 December 2010 | 31 December 2025 | 5,68% yearly | 14,658 | 1,284 | 5,930 | 7,444 |
| ***Linee revolving*** | | | | | | | | | | |
| RCF Synd. Loan 2015 | 250,000 | 30,000 | 220,000 | 30 July 2015 | 30 July 2020 | 1-, 2-, 3- or 6-month Euribor + 0.85 bps | 30,000 | - | 30,000 | - |
| Simest loan | 2,370 | | | 3 August 2012 | 3 August 2019 | 0.4994% half-yearly | 1,422 | 474 | 948 | - |
| Due to leasing companies (Locafit) | 2,648 | | | 1 July 2004 | 31 March 2016 | 0,90% quarterly | - | - | - | - |
| Short-term credit facilities (Turkey) | - | | | - | - | - | 108 | 108 | - | - |
| Debit balances on bank accounts | - | | | - | - | - | 3,205 | 3,205 | - | - |
| Other financial debts (derivative instruments) | - | | | - | - | - | 5,169 | 5,169 | | - |
| Accrued interest on borrowings | - | | | - | - | - | 126 | 126 | - | - |
| Amortized cost | - | | | - | - | - | (44) | (26) | (18) | - |
| **Total** | | | | | | | **66,143** | **14,725** | **43,974** | **7,444** |

(*) In July 2017, the Group entered into an agreement with Intesa San Paolo S.p.A. to supplement and modify the conditions of the original financing. Besides the concession of a new financing of €7,900 thousand, the change in financing conditions concerned the extension of five years from the original term and the reduction of the interest rate applied to 3%.

The increase of €5,825 thousand in 'Bank borrowings and other financial liabilities' as of 31 December 2017 as compared to 31 December 2016 is mainly attributable for €18.074 thousand to proceeds from borrowings, for negative €5,820 thousand to repayment of borrowings, for €794 thousand to net increases in other financial debts, for negative €5,169 thousand to payments related to derivatives and for the remaining part to accrued interest.

The financing arrangements described above, among other obligations, require compliance with specific financial covenants.

***Covenants***

The main financing agreements, in line with market practice for debtors with similar credit standing, provide for compliance with:

1) Financial covenants, under which the Company undertakes to comply with specific, contractually defined levels of financial ratios; the most significant is net financial indebtedness to gross operating profit (EBITDA), measured on the Group's consolidated perimeter according to terms defined with the lenders;

   The values set for the financial covenants, to be calculated on the Consolidated Financial Statements of Gianni Versace are detailed below:

| Loan | Covenant | Value |
|---|---|---|
| RCF Synd. Loan 2015 | Net financial indebtedness/EBITDA | ≤ 3.5 |
| Banca Popolare di Milano | Net financial indebtedness/EBITDA | ≤ 3.5 |

2) Negative pledges, which restrict the Company's ability to establish real guarantees or other liens on certain corporate assets;

3) 'Pari passu' clauses, under which borrowings have the same priority in repayment as other financial liabilities, and change of control clauses, which would be triggered should the majority shareholder lose control of the Company;

4) Restrictions on extraordinary operations that the Company may perform.

Failure to comply with the above clauses, after an observation period during which breaches may be remedied, would be a breach of contractual obligations pursuant to the terms of the financing agreement. In such an event, the creditor may demand that the Group pay the outstanding balance payable.

The measurement of financial covenants and other contractual commitments is constantly monitored by the Group.

Based on the actual figures as of 31 December 2017, all covenants were amply complied with.

***Ancillary borrowing charges***

Costs incurred by the Group to obtain term credit facilities from banks were initially deducted from financial liabilities and subsequently charged to profit or loss using the amortized cost method in accordance with IAS 39.

### 7.15 Other payables and other non-current liabilities

‘Other payables and other non-current liabilities’ as of 31 December 2017 and 2016 is analyzed below:

| | *31 December 2017* *€thousand* | *31 December 2016* *€thousand* |
|---|---|---|
| ***Other payables and other non-current liabilities*** | | |
| Royalties | 6,615 | 9,241 |
| Deferred lease costs | 19,169 | 17,665 |
| Other payables falling due after one year | 2,801 | 3,393 |
| **Total** | **28,585** | **30,299** |

The item ‘Royalties’ refers to the deferral of the contribution disbursed by Luxottica in FY 2002 for €5,000 thousand. In accordance with IAS 18, the contribution was deferred over the term of the license agreement, based on the potential future obligations of the Group in connection with the license agreement and the length of time during which Luxottica may exploit the Versace brand commercially.

‘Deferred lease costs’ relates to the difference between the cost for leases charged to profit or loss and the rent actually paid and relates to North America (€11,394 thousand as of 31 December 2017 and €10,462 thousand as of 31 December 2016), the Asia Pacific region (€5,427 thousand as of 31 December 2017 and €5,222 thousand as of 31 December 2016) and Europe (€2,347 thousand as of 31 December 2017 and €1,981 thousand as of 31 December 2016).

‘Other payables falling due after one year’ comprises, in addition to guarantee deposits, €2,394 thousand as of 31 December 2017 (€2,954 thousand as of 31 December 2016) relating to the liability connected with the put option held by minority shareholders in the subsidiary Versace Australia under the agreement entered into by Gianni Versace S.p.A. and by HYH Retail Ltd on 31 July 2015 to govern the acquisition of 30% of the Australian subsidiary by HYH Retail Ltd and the governance of that subsidiary (the “Australia Shareholder Agreement”). The option entitles the counterparty to sell 30% of its shares between the fourth and sixth anniversaries of the Australia Shareholders Agreement at a price calculated on the basis of the subsidiary’s performance in the three years before the exercise date. The liability was recognized in 2015 against shareholders’ equity attributable to the Group for €3,369 thousand, adjusted to €2,954 thousand as of 31 December 2016; the change in 2017, equal to €560 thousand, recognized in ‘Financial income (charges), net’, reflects both the impact of discounting and an adjustment to reflect the new estimate of the price to be paid.

### 7.16 Trade payables

‘Trade payables’, equal to €113,644 thousand as of 31 December 2017 (€114,554 thousand as of 31 December 2016), comprises amounts owed to suppliers for goods and services.

Trade payables as of 31 December 2017 and 2016 are broken down by geographical area as follows:

| | *31 December 2017* *€thousand* | *31 December 2016* *€thousand* |
|---|---|---|
| ***Payables by geographical area*** | | |
| ITALY | 87,809 | 81,730 |
| EU | 8,754 | 10,786 |
| EUROPE NON EU | 580 | 719 |
| NORTH AMERICA | 5,558 | 6,795 |
| JAPAN | 616 | 1,079 |
| ASIA | 7,523 | 10,165 |
| REST OF THE WORLD | 2,804 | 3,280 |
| **Total** | **113,644** | **114,554** |

### 7.17 Current tax liabilities

‘Current tax liabilities’, equal to €8,755 thousand as of 31 December 2017 (€2,385 thousand as of 31 December 2016), increased mainly as a result of the settlement with the Italian tax authorities, whereby the subsidiary Gianni Versace agreed to pay additional taxes, penalties and interest totaling €7,762 thousand with respect to the fiscal years 2011, 2012 and 2013. During the year, 3 installments were paid for a total of €1,457 thousand. For a detailed explanation, see note 7.11.

### 7.18 Other payables and other current liabilities

‘Other payables and other current liabilities’ as of 31 December 2017 and 2016 is analyzed below:

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| | *€thousand* | *€thousand* |
| ***Other payables and other current liabilities*** | | |
| Payments on account from customers | 9,182 | 7,437 |
| Payables to employees | 6,530 | 7,151 |
| Lease payments | 4,095 | 3,341 |
| Other payables to the Revenue | 3,486 | 3,312 |
| Social security payables | 3,153 | 3,092 |
| VAT payable | 1,288 | 1,965 |
| Other payables | 5,759 | 4,928 |
| **Total** | **33,493** | **31,226** |

‘Payments on account from customers’ comprises mainly amounts paid in advance by customers for Spring/Summer 2018 collections.

‘Payables to employees’ comprises amounts owed to personnel for salaries, holidays earned but not taken at the reporting date and accrued 14 th month pay, where applicable.

‘Lease payments’, amounting to €4,095 thousand as of 31 December 2017 (€3,341 thousand as of 31 December 2016), comprises the short-term portion of deferred leases

‘Other payables’, amounting to €5,759 thousand as of 31 December 2017 (€4,928 thousand as of 31 December 2016), primarily relate to the subsidiary Gianni Versace and are mainly comprised of deferred income from royalties/interior design services already billed but attributable to the year 2018, whereof €1,250 thousand relate to the current portion of the royalties from Luxottica discussed in note 7.15 (unchanged from 2016).

## 8 Notes to the statement of comprehensive income

### 8.1 Revenues

The following table analyzes ‘Revenues’ for the years ended 31 December 2017, 2016 and 2015 by distribution channel and by product category:

| | *For the Years Ended* | | |
|---|---|---|---|
| | *31 December 2017* | *31 December 2016* | *31 December 2015* |
| | *€thousand* | *€thousand* | *€thousand* |
| ***Core business revenues*** | | | |
| DOS ( *Directly Operated Stores)* | 427,858 | 418,132 | 400,679 |
| Wholesale | 192,584 | 199,067 | 194,889 |
| Royalties | 47,542 | 51,496 | 49,434 |
| **Total** | **667,984** | **668,695** | **645,002** |

| | For the Years Ended | | |
|---|---|---|---|
| | *31 December 2017* | *31 December 2016* | *31 December 2015* |
| | *€thousand* | *€thousand* | *€thousand* |
| ***DOS (Directly operated stores)*** | | | |
| Ready-to-wear (incl. Atelier) | 220,716 | 221,664 | 210,552 |
| Accessories | 185,942 | 179,677 | 173,856 |
| Fragrances | 1,968 | 1,918 | 1,784 |
| Jewelry | 8,417 | 6,406 | 6,965 |
| Home collection | 10,815 | 8,467 | 7,522 |
| **Total revenue from the Group's boutiques** | **427,858** | **418,132** | **400,679** |

| | For the Years Ended | | |
|---|---|---|---|
| | *31 December 2017* | *31 December 2016* | *31 December 2015* |
| | *€thousand* | *€thousand* | *€thousand* |
| ***Wholesale*** | | | |
| Ready-to-wear (incl. Atelier) | 112,770 | 126,624 | 125,777 |
| Accessories | 66,966 | 61,427 | 55,329 |
| Home collection | 12,832 | 10,993 | 13,751 |
| Jewelry | 16 | 23 | 32 |
| **Total revenues from manufacturers and distributors** | **192,584** | **199,067** | **194,889** |

| | For the Years Ended | | |
|---|---|---|---|
| | *31 December 2017* | *31 December 2016* | *31 December 2015* |
| | *€thousand* | *€thousand* | *€thousand* |
| ***Royalties*** | | | |
| Royalties from manufacturers | 40,821 | 40,032 | 37,514 |
| Revenue from interior design services | 6,375 | 11,297 | 11,775 |
| Royalties from franchisees | 346 | 167 | 145 |
| **Total royalties, commission and interior design** | **47,542** | **51,496** | **49,434** |

'Revenues' for the years ended 31 December 2017, 2016 and 2015 is analyzed by channel and by geographical area as follows:

| | For the Years Ended | | |
|---|---|---|---|
| | *31 December 2017* | *31 December 2016* | *31 December 2015* |
| | *€thousand* | *€thousand* | *€thousand* |
| ***DOS (Directly operated stores)*** | | | |
| EMEA | 120,899 | 126,590 | 122,736 |
| NORTH AMERICA | 83,256 | 82,716 | 78,756 |
| ASIA PACIFIC | 213,445 | 199,449 | 193,505 |
| REST OF THE WORLD | 3,166 | 3,787 | 3,259 |
| JAPAN | 7,092 | 5,590 | 2,423 |
| **Total** | **427,858** | **418,132** | **400,679** |

| | For the Years Ended | | |
|---|---|---|---|
| | ***31 December 2017*** | ***31 December 2016*** | ***31 December 2015*** |
| | ***€thousand*** | ***€thousand*** | ***€thousand*** |
| ***Wholesale (by destination area)*** | | | |
| EMEA | 107,628 | 122,928 | 129,673 |
| NORTH AMERICA | 23,966 | 22,371 | 23,789 |
| ASIA PACIFIC | 58,380 | 51,031 | 36,627 |
| REST OF THE WORLD | 2,297 | 2,157 | 4,152 |
| JAPAN | 313 | 580 | 648 |
| **Total** | **192,584** | **199,067** | **194,889** |

### 8.2 Other income

'Other income', equals to €5,863 thousand for the year ended 31 December 2017 (€4,605 thousand for the year ended 31 December 2016 and €4,508 thousand for the year ended 31 December 2015), comprises insurances recoveries and refunds, rent income, recharges for services rendered (including VAT recovery), contributions from outlet stores, clothing alterations and repairs, insurance/legal recoveries and sales of PR samples.

For the year ended 31 December 2017, the amount is mostly related to the collection of key money following the relocation of the London, Sloane Street boutique, for an amount of €2,859 thousand; details are provided in note 7.1.

### 8.3 Raw materials (including change in stocks)

The cost of 'Raw materials' for the years ended 31 December 2017, 2016 and 2015 is analyzed as follows:

| | For the Years Ended | | |
|---|---|---|---|
| | ***31 December 2017*** | ***31 December 2016*** | ***31 December 2015*** |
| | ***€thousand*** | ***€thousand*** | ***€thousand*** |
| ***Raw materials (including change in stocks)*** | | | |
| Purchases of raw materials and consumables | 52,064 | 44,080 | 41,846 |
| Purchases of finished products | 52,069 | 59,254 | 64,470 |
| Purchases for product development | 15,083 | 15,396 | 13,153 |
| Packaging materials | 3,546 | 3,725 | 3,237 |
| Change in stocks of raw materials, semi-finished and finished products | (16,787) | 7,025 | (21,410) |
| **Total** | **105,975** | **129,480** | **101,296** |

## 8.4 Cost of services

The cost of 'Services' for the years ended 31 December 2017, 2016 and 2015 is analyzed as follows:

| | *For the Years Ended* | | |
|---|---|---|---|
| | ***31 December 2017*** ***€thousand*** | ***31 December 2016*** ***€thousand*** | ***31 December 2015*** ***€thousand*** |
| ***Cost of services*** | | | |
| Leases and rentals | 128,871 | 123,147 | 111,093 |
| Outsourced manufacturing | 121,698 | 112,157 | 112,657 |
| Freight, customs duties and ancillary charges | 28,961 | 26,261 | 26,645 |
| Advertising and promotion | 21,541 | 20,770 | 20,955 |
| Sales-related costs | 10,427 | 10,901 | 9,872 |
| Fashion shows and events | 9,296 | 9,841 | 9,488 |
| Legal consulting and brand defense | 8,421 | 5,983 | 4,012 |
| Sundry consulting services | 7,558 | 7,937 | 7,254 |
| Shared building expenses and property maintenance | 7,868 | 7,581 | 6,125 |
| Travel and allowances | 6,811 | 6,632 | 6,551 |
| Photo shoots | 5,556 | 5,784 | 5,106 |
| Administrative consulting | 4,433 | 4,467 | 4,000 |
| Cleaning and security | 4,336 | 4,298 | 4,044 |
| Credit card expenses and services | 4,586 | 4,710 | 4,608 |
| Commission paid | 3,460 | 2,834 | 4,084 |
| Utilities | 3,143 | 3,243 | 3,315 |
| Telephone and postage | 2,580 | 2,481 | 2,453 |
| Furnishings and decorations | 2,895 | 2,752 | 2,414 |
| Insurance | 1,692 | 1,780 | 1,843 |
| Other costs | 1,588 | 3,190 | 3,083 |
| **Total** | **385,721** | **366,749** | **349,602** |

The main items of cost of services are illustrated below.

'Outsourced manufacturing' comprises services rendered by third parties in the production process.

'Leases and rentals' and 'Shared building expenses and property maintenance' comprise the costs incurred for premises leased as stores and offices. The increase in the period presented is mainly attributable to new store openings.

'Advertising and promotion' comprises the cost of full-page ads in leading fashion magazines and the cost of press offices and communication agencies.

'Sales-related costs' comprises the cost of sales and promotions as well as commercial information.

'Sundry consulting services' and 'Administrative consulting' comprise professional, administrative, real estate, IT, audit and other minor consulting services.

'Commission paid' comprises the costs incurred to develop and grow the indirectly operated sales channels through agents and brokers.

### 8.5 Personnel costs

'Personnel costs' for the years ended 31 December 2017, 2016 and 2015 is analyzed as follows:

| | For the Years Ended | | |
|---|---|---|---|
| | *31 December 2017* *€thousand* | *31 December 2016* *€thousand* | *31 December 2015* *€thousand* |
| ***Personnel costs*** | | | |
| Salaries and wages | 96,659 | 94,454 | 87,359 |
| Social charges | 21,075 | 19,748 | 17,601 |
| Employee severance indemnity (TFR) | 2,932 | 2,825 | 2,476 |
| Other personnel expenses | 4,938 | 5,897 | 1,682 |
| Directors' remuneration and other costs (*) | 5,131 | 2,277 | 1,962 |
| **Total** | **130,735** | **125,201** | **111,080** |

(*) For further details of 'Directors' remuneration and other costs' see also Note 9 Related party transactions

'Other personnel expenses' comprises primarily costs incurred in the applicable years for termination incentives.

The following table shows the average number of employees and the number at the end of the reporting period, by function, for the years 2017, 2016 and 2015:

| | *31 December 2017* | | *31 December 2016* | | *31 December 2015* | |
|---|---|---|---|---|---|---|
| | *Average* | *At the reporting date* | *Average* | *At the reporting date* | *Average* | *At the reporting date* |
| ***Headcount*** | | | | | | |
| Operation of boutiques | 1,624 | 1,602 | 1,639 | 1,675 | 1,447 | 1,569 |
| Manufacturing and distribution | 210 | 206 | 228 | 207 | 209 | 206 |
| Creation, services and other activities | 663 | 661 | 614 | 655 | 539 | 581 |
| **Total** | **2,497** | **2,469** | **2,481** | **2,537** | **2,195** | **2,356** |

### 8.6 Amortization, depreciation and impairment

An analysis of 'Amortization, depreciation and impairment' for the years ended 31 December 2017, 2016 and 2015 is as follows:

| | For the Years Ended | | |
|---|---|---|---|
| | *31 December 2017* *€thousand* | *31 December 2016* *€thousand* | *31 December 2015* *€thousand* |
| ***Amortization, depreciation and impairment*** | | | |
| Depreciation of property, plant and equipment | 28,576 | 27,811 | 24,957 |
| Amortization of intangible assets | 7,211 | 6,245 | 6,920 |
| Impairment of receivables | 1,118 | 1,379 | 1,073 |
| Impairment of fixed assets | 3,010 | 6,073 | 6,256 |
| **Total** | **39,915** | **41,508** | **39,206** |

For details of 'Impairment of receivables' see note 7.5, for the remaining items see notes 7.1 and 7.2.

### 8.7 Other costs

'Other costs' totaled €5,226 thousand for the year ended 31 December 2017 (€5,878 thousand for the year ended 31 December 2016 and €5,144 thousand for the year ended 31 December 2015) are mainly related to local taxes and duties, books and magazine subscriptions and charitable gifts.

### 8.8 Financial income (charges), net

'Financial income (charges), net' for the years ended 31 December 2017, 2016 and 2015 is analyzed as follows:

| | *For the Years Ended* | | |
|---|---|---|---|
| | ***31 December 2017 €thousand*** | ***31 December 2016 €thousand*** | ***31 December 2015 €thousand*** |
| ***Financial income (charges), net*** | | | |
| Realized exchange losses, net | (12,327) | (20,272) | (20,257) |
| Unrealized exchange losses, net | | (6,378) | (3,522) |
| Banking fee | - | - | (782) |
| Borrowing charges | (6,494) | (6,203) | (5,288) |
| **Total financial charges** | **(18,821)** | **(32,853)** | **(29,849)** |
| Realized exchange gains, net | 12,196 | 20,007 | 15,469 |
| Unrealized exchange gains, net | 14,095 | | |
| Interest income | 1,142 | 1,072 | 27 |
| **Total financial income** | **27,433** | **21,079** | **15,496** |
| **Total financial income (charges), net** | **8,612** | **(11,774)** | **(14,353)** |

Exchange gains and losses were recognized for the most part by the subsidiary Gianni Versace and originate from foreign sales, both intercompany and to third parties, in currencies other than the euro. In detail, they include the net benefit of transactions in derivative instruments hedging exchange rate risk.

Borrowing charges are analyzed by nature below:

| | *For the Years Ended* | | |
|---|---|---|---|
| | ***31 December 2017 €thousand*** | ***31 December 2016 €thousand*** | ***31 December 2015 €thousand*** |
| ***Nature*** | | | |
| Interest expense on borrowing | 2,616 | 2,860 | 4,231 |
| Interest expense on finance leases | - | - | 13 |
| Interest expense on derivative instruments | 3,436 | 2,686 | 602 |
| Other interest expense | 400 | 600 | 387 |
| Interest expense on TFR | 42 | 57 | 55 |
| **Total borrowing charges** | **6,494** | **6,203** | **5,288** |

'Interest income' comprises an adjustment to the liability in connection with the put option held by minority shareholders in the subsidiary Versace Australia referred to in note 7.15 for €560 thousand for the year ended 31 December 2017 (€415 thousand for the year ended 31 December 2016), interest on derivative instruments for €472 thousand for the year ended 31 December 2017 (€179 thousand for the year ended 31 December 2016), as well as interest on current accounts with banks and miscellaneous interest income.

### 8.9 Taxes

'Taxes' for the years ended 31 December 2017, 2016 and 2015 is analyzed as follows:

| | *For the Years Ended* | | |
|---|---|---|---|
| | ***31 December 2017*** | ***31 December 2016*** | ***31 December 2015*** |
| | ***€thousand*** | ***€thousand*** | ***€thousand*** |
| ***Taxes*** | | | |
| Current taxes | 2,582 | 3,468 | 19,181 |
| Deferred tax liabilities | 25 | (1,342) | (1,055) |
| Deferred tax assets | (2,524) | (1,389) | (502) |
| **Total** | **83** | **737** | **17,624** |

The theoretical tax rate is reconciled to the effective tax rate as follows:

| | *For the Years Ended* | | |
|---|---|---|---|
| | ***31 December 2017*** | ***31 December 2016*** | ***31 December 2015*** |
| | ***€thousand*** | ***€thousand*** | ***€thousand*** |
| **Profit/(Loss) before tax** | **14,887** | **(7,290)** | **28,829** |
| IRES (Italian Corporate Income Tax) rate in force for the year | 24.0% | 27.5 % | 27.5% |
| **Theoretical tax charge** | **(3,571)** | **2,005** | **(7,928)** |
| Income taxes at different rates (IRAP, regional trade income tax) | (311) | (190) | (3,086) |
| Effect of different tax rates of foreign entities | (331) | 1,179 | 1,768 |
| Adjustment to deferred tax assets due to change in IRES rate (Law No. 208/15) | - | (2,888) | (254) |
| Utilization of tax losses of previous years | 4,139 | 3,574 | 920 |
| Write-down of deferred tax assets arising in the year (foreign entities) | (2,255) | (4,083) | - |
| Release of/(Charge to) provision for fiscal risks, including impact of tax settlement | (2,345) | (4,453) | - |
| Income taxes of previous years | 48 | 206 | - |
| Other local taxes | (448) | (541) | - |
| Other changes | 4,991 | 4,454 | (9,044) |
| **Total taxes per statement of comprehensive income** | **(83)** | **(737)** | **(17,624)** |
| **Effective tax rate** | **0.6%** | **(10.1)%** | **61.1%** |

For details of 'Release of/(Charge to) provision for fiscal risks, including impact of tax settlement' see note 7.11 "Provisions for risks and charges".

'Other changes' comprises the following:

- With reference to the application, submitted by the subsidiary Gianni Versace on 21 December 2015, for the optional reduced taxation regime applicable to income from the use of intangible assets ("Patent Box"), on 22 December 2017 the subsidiary signed a preliminary agreement to determine the economic contribution in case of direct and indirect intragroup use of the intangible assets with the Preliminary Agreements and International Disputes department of the Revenue Agency, effective for the fiscal years 2015 to 2019;
- Also FY 2017 benefited from the income tax deduction called ACE ("Aiuto alla Crescita Economica") for an amount of about €630 thousand.
- In the year ended 2015, the amount relates to the effect of deferred taxes due to the change in the IRES tax rate (Italian Law. 208/15).

## 9 Related party transactions

The transactions carried out by the Group with related parties are not atypical or unusual, are part of the normal business operations of the Group and are carried out at arm's length.

### 9.1 Financial position

Financial position amounts relating to the Group's transactions with related parties as of 31 December 2017 and 2016 are detailed below, with the percentage of the corresponding line item of the consolidated statement of financial position.

| | *31 December 2017* | | | | |
|---|---|---|---|---|---|
| | ***Trade receivables*** | ***Other receivables and other current assets*** | ***Current financial assets*** | ***Trade payables*** | ***Provisions for risks and charges*** |
| | ***€thousand*** | ***€thousand*** | ***€thousand*** | ***€thousand*** | ***€thousand*** |
| ***Related party transactions – Statement of financial position*** | | | | | |
| Related parties | 135 | - | - | 40 | 1,000 |
| **Total related parties** | **135** | **-** | **-** | **40** | **1,000** |
| **Total statement of financial position** | **72,009** | **16,913** | **4,062** | **113,644** | **14,295** |
| **As % of total statement of financial position** | **0.2%** | **0.0%** | **0.0%** | **0.0%** | **7.0%** |

| | *31 December 2016* | | | | |
|---|---|---|---|---|---|
| | ***Trade receivables*** | ***Other receivables and other current assets*** | ***Current financial assets*** | ***Trade payables*** | ***Provisions for risks and charges*** |
| | ***€thousand*** | ***€thousand*** | ***€thousand*** | ***€thousand*** | ***€thousand*** |
| ***Related party transactions – Statement of financial position*** | | | | | |
| Related parties | 211 | - | - | 498 | - |
| **Total related parties** | **211** | **-** | **-** | **498** | **-** |
| **Total statement of financial position** | **75,762** | **13,191** | **660** | **114,554** | **17,253** |
| **As % of total statement of financial position** | **0.3%** | **0.0%** | **0.0%** | **0.4%** | **0.0%** |

Receivables from and payables to related parties relate mainly to the remuneration of key management personnel and to consulting services with other related parties in which the Group holds an interest through the key management.

### 9.2 Comprehensive income

The transactions carried out by the Group with related parties are not atypical or unusual, are part of the normal business operations of the Group and are carried out at arm's length.

Comprehensive income amounts relating to the Group's transactions with related parties for the years 2017, 2016 and 2015 are detailed below, with the percentage of the corresponding line item of the consolidated statement of comprehensive income:

| | *For the Year Ended 31 December 2017* | | | | | |
|---|---|---|---|---|---|---|
| | *Revenues* | *Other income* | *Cost of services* | *Personnel costs* | *Other costs* | *Financial income (charges)* |
| | *€thousand* | *€thousand* | *€thousand* | *€thousand* | *€thousand* | *€thousand* |
| ***Related party transactions – Statement of comprehensive income*** | | | | | | |
| Related parties | 89 | - | 1,267 | 5,484 | - | - |
| **Total related parties** | **89** | **-** | **1,267** | **5,484** | **-** | **-** |
| **Total statement of comprehensive income** | **667,984** | **5,863** | **385,721** | **130,735** | **5,226** | **8,612** |
| **As % of total statement of comprehensive income** | **0.0%** | **0.0%** | **0.3%** | **4.2 %** | **0.0%** | **0.0%** |

| | *For the Year Ended 31 December 2016* | | | | | |
|---|---|---|---|---|---|---|
| | *Revenues* | *Other income* | *Cost of services* | *Personnel costs* | *Other costs* | *Financial income (charges)* |
| | *€thousand* | *€thousand* | *€thousand* | *€thousand* | *€thousand* | *€thousand* |
| ***Related party transactions – Statement of comprehensive income*** | | | | | | |
| Related parties | 7 | - | 4,986 | (584) | - | - |
| **Total related parties** | **7** | **-** | **4,986** | **(584)** | **-** | **-** |
| **Total statement of comprehensive income** | **668,695** | **4,605** | **366,749** | **125,201** | **5,878** | **(11,774)** |
| **As % of total statement of comprehensive income** | **0.0%** | **0.0%** | **1.4%** | **(0.50)%** | **0.0%** | **0.0%** |

| | *For the Year Ended 31 December 2015* | | | | | |
|---|---|---|---|---|---|---|
| | *Revenues* | *Other income* | *Cost of services* | *Personnel costs* | *Other costs* | *Financial income (charges)* |
| | *€thousand* | *€thousand* | *€thousand* | *€thousand* | *€thousand* | *€thousand* |
| ***Related party transactions – Statement of comprehensive income*** | | | | | | |
| Related parties | 75 | - | 6,130 | 1,417 | - | - |
| **Total related parties** | **75** | **-** | **6,130** | **1,417** | **-** | **-** |
| **Total statement of comprehensive income** | **645,002** | **5,209** | **350,303** | **111,080** | **5,144** | **(14,353)** |
| **As % of total statement of comprehensive income** | **0.0%** | **0.0%** | **1.7%** | **1.3 %** | **0.0%** | **0.0%** |

Costs of services and personnel costs from related parties mainly related to consulting services with other related parties in which the Group holds an interest through key management.

The decrease in costs of services rendered by related parties in 2017 as compared to 2016 and 2015 is due to the facts that certain services, which were previously performed through a consulting service agreement with a related party, have been performed by key management personnel since 2017.

All of the above personnel costs relate to short-term employee benefits except for €1,000 thousand accrued in 2017 as long-term incentives to key management.

### 9.3 Cash flows

Cash flow items relating to the Group's transactions with related parties for the years ended 31 December 2017, 2016 and 2015 are detailed below, with the percentage of the corresponding line item of the consolidated cash flow statement.

| | For the Year Ended 31 December 2017 | | |
|---|---|---|---|
| | *Cash generated from (used in) operating activities* | *Cash generated from (used in) investing activities* | *Cash generated from (used in) financing activities* |
| | *€thousand* | *€thousand* | *€thousand* |
| ***Related parties – Cash flow statement*** | | | |
| Related parties | (6,025) | - | - |
| **Total related parties** | **(6,025)** | **-** | **-** |
| **Total cash flow** | **19,395** | **(25,210)** | **1,286** |
| **As % of total** | **(31.00)%** | **0.0%** | **0.0%** |

| | For the Year Ended 31 December 2016 | | |
|---|---|---|---|
| | *Cash generated from (used in) operating activities* | *Cash generated from (used in) investing activities* | *Cash generated from (used in) financing activities* |
| | *€thousand* | *€thousand* | *€thousand* |
| ***Related parties – Cash flow statement*** | | | |
| Related parties | (5,422) | - | - |
| **Total related parties** | **(5,422)** | **-** | **-** |
| **Total cash flow** | **46,462** | **(47,616)** | **4,583** |
| **As % of total** | **(11.70)%** | **0.0%** | **0.0%** |

| | For the Year Ended 31 December 2015 | | |
|---|---|---|---|
| | *Cash generated from (used in) operating activities* | *Cash generated from (used in) investing activities* | *Cash generated from (used in) financing activities* |
| | *€thousand* | *€thousand* | *€thousand* |
| ***Related parties – Cash flow statement*** | | | |
| Related parties | (7,569) | - | - |
| **Total related parties** | **(7,569)** | **-** | **-** |
| **Total cash flow** | **30,200** | **(55,233)** | **1,123** |
| **As % of total** | **(25.10)%** | **0.0%** | **0.0%** |

## 10 Commitments and guarantees

### 10.1 Operating leases

Commitments of the Group for minimum future lease payments in connection with operating leases in place as of 31 December 2017 and 2016 are detailed as follows:

| | *31 December 2017* | *31 December 2016* |
|---|---|---|
| | *€thousand* | *€thousand* |
| Within 1 year | 87,270 | 94,604 |
| 1 to 5 years | 198,251 | 204,165 |
| After 5 years | 111,708 | 162,373 |
| **Total** | **397,229** | **461,142** |

Certain operating leases provide for a fixed guaranteed payment plus a variable payment determined mainly as a percentage of the sales made by a boutique in the period. In accordance with IAS 17, the variable payment is recognized at the time of settlement.

The amounts recognized in the statement of comprehensive income in relation to the Group's operating leases for the year ended 31 December 2017 and 2016 are detailed below:

| | ***For the Years Ended*** | |
|---|---|---|
| | ***31 December 2017*** | ***31 December 2016*** |
| Fixed payments | 103,820 | 93,621 |
| Variable payments | 19,572 | 24,697 |
| Other | 5,479 | 4,829 |
| **Total** | **128,871** | **123,147** |

### 10.2 Finance leases

As of 31 December 2017, the Group had two finance leases in place, one relating to an industrial building and one, entered into in September 2017 for an amount of €195 thousand and expiring in August 2022, relating to electronic equipment.

| | ***31 December 2017 €thousand*** | ***31 December 2016 €thousand*** |
|---|---|---|
| ***Finance leases*** | | |
| Land and buildings | | |
| *Historical cost* | 2,648 | 2,648 |
| *Accumulated depreciation* | (1,072) | *(993)* |
| Office machines and EDP systems | | |
| *Historical cost* | 195 | - |
| *Accumulated depreciation* | (13) | - |
| **Total** | **1,758** | **1,655** |

Commitments for minimum future lease payments in connection with finance leases in place as of 31 December 2017 are detailed as follows:

| | ***31 December 2017 €thousand*** |
|---|---|
| ***Commitments for finance lease payments*** | |
| Within 1 year | 64 |
| 1 to 5 years | 109 |
| After 5 years | - |
| **Total** | **173** |

### 10.3 Guarantees

Guarantees given by the Group to third parties as of 31 December 2017 and 2016 are analyzed as follows:

| | ***31 December 2017 €thousand*** | ***31 December 2016 €thousand*** |
|---|---|---|
| ***Guarantees*** | | |
| Sureties given to third parties | 7,582 | 8,866 |
| Sureties given to third parties in favor of subsidiaries | 8,607 | 11,123 |
| Sureties given to third parties against VAT receivable | 15,903 | 17,165 |
| **Total** | **32,092** | **37,154** |

## 11 Contingent liabilities

At the reporting date there were no contingent liabilities in addition to those reported above (see note 7.11 "Provisions for risks and charges") and in the report on operations with regard to the Group's tax and social security position, which may be summarized as follows:

- At the date of preparation of these financial statements, an audit of payroll taxes was in progress at Versace Deutschland GmbH with respect to the fiscal years 2011 to 2017;
- A tax audit of Versace France S.A. with reference to income taxes with respect to the fiscal years 2013, 2014 and 2015 was completed and no issues were raised;
- At the date of preparation of these financial statements, a tax audit of Versace USA Inc. by the State of New York in relation to certain indirect state and local taxes with respect to the fiscal years 2012, 2013, 2014 was still in progress. Tax inspections by the tax authorities of Puerto Rico, Texas, Georgia and California in relation to certain indirect local taxes with respect to the fiscal years 2012 to 2016 were completed and no issues were raised;
- Versace Do Brazil was the subject of an audit by the State of Pernambuco in relation to indirect state taxes with respect to the fiscal years 2015 and 2016; the audit was still in progress at the date of preparation of this financial statements;
- Versace España was the subject of a tax audit in relation to direct and indirect taxes with respect to the fiscal year 2014; the audit was still in progress at the date of preparation of this financial statements.

In 2005, and again in 2012, Versace France S.A. had submitted two separate applications for Mutual Agreement Procedures ("MAP") to the French tax authorities to eliminate the double taxation that had arisen as a result of assessments issued with respect to the fiscal years 2001 to 2009 concerning alleged excess costs deducted in France in relation to the purchase prices for finished products paid to the current GIVI Holding for the years 2011 to 2004 and to Gianni Versace for the years 2005 to 2009.

In the fall of 2017 the French and Italian tax authorities formally reached an amicable settlement whereby

1) The claims originally raised by the French tax authority were confirmed for an amount of €22,273,187, and then reduced by a total of €9,636,303 with a corresponding decrease in the prior tax losses of Versace France;
2) Consequently, the excess tax due in France became a tax receivable in Italy for an amount corresponding to the adjustments agreed by the two tax authorities. The impact of such settlement on the 2017 net result is equal to €2,811 (lower income taxes).

Moreover, on 27 October 2014, the subsidiary Gianni Versace submitted a query to the Revenue Agency, Assessment central directorate, International Rulings department, seeking an international ruling pursuant to article 8 of Law Decree No. 269/2003 (converted into Law No. 326/2003). The subject of the query was the preliminary definition of the correct method of calculation of the fair values of sales of finished products made by the Company to its foreign subsidiaries. On 1 December 2017, the Company signed a five-year agreement with the department which defines the correct method of calculation of the prices applicable in such transactions for the years 2017 to 2021.

As matters currently stand the directors believe the Group may not incur additional losses exceeding the amount of provisions specifically allocated.

## 12 Significant events after the reporting date

On 27 June 2018, the Group entered into an unsecured term loan facility with Goldman Sachs for a notional amount of €53 million with an interest period of 3 months and Euribor rate of the period plus a spread. The loan was fully drawn-down on the opening date and subsequently totally reimbursed on 29 October 2018.

On 24 September 2018, Michael Kors Holdings Limited (subsequently renamed as Capri Holdings Limited) signed a stock purchase agreement with certain members of the Versace family and certain affiliates of the Blackstone Group L.P., and a related stock purchase agreement with certain management members of the Company for the acquisition of the outstanding shares of the Company for a total enterprise value of €1.83 billion on the date of announcement, or total consideration of approximately €1.753 billion at acquisition date, including the fair value of approximately 2.4 million Capri Holdings Limited shares issued to the Versace family.

As a result of the stock purchase agreements, the investments in the subsidiary Verim and certain other non-core-assets and liabilities of the Company (together with the investment in Verim, the "Disposal Group of Assets") were not transferred to Capri Holdings Limited. On 8 October 2018, the Company's shareholders announced the project to transfer the Disposal Group of Assets to a newly established entity owned by members of Versace family, Verim Holding S.r.l., by way of a partial demerger (the "Demerger").

Exhibit 99.2

# GIVI Holding S.r.l. and subsidiaries

## Consolidated statement of financial position

**As of 30 September 2018 and 31 December 2017**

| | Notes | *30 September 2018 €thousand* | *31 December 2017 €thousand* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets:** | | | |
| Intangible assets | 6.1 | 28,384 | 32,436 |
| Property, plant and equipment | 6.2 | 73,309 | 152,205 |
| Deferred tax assets | | 47,781 | 41,774 |
| Other receivables and other non-current assets | | 36,418 | 26,137 |
| **Total non-current assets** | | **185,892** | **252,552** |
| **Current assets:** | | | |
| Trade receivables | 6.3 | 54,821 | 72,009 |
| Inventories | | 167,836 | 147,268 |
| Current tax assets | | 15,613 | 22,554 |
| Other receivables and other current assets | | 16,761 | 20,975 |
| Cash and cash equivalents | 6.4 | 29,818 | 30,269 |
| Total current assets | | 284,849 | 293,075 |
| **Assets held for distribution to owners** | **6.5** | **68,404** | **-** |
| **TOTAL ASSETS** | | **539,145** | **545,627** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **Shareholders' equity** | | | |
| Share capital | | 10,000 | 10,000 |
| Share premium reserve | | 2,014 | 2,014 |
| Other reserves | | 154,419 | 193,668 |
| Profit/(Loss) for the period | | (9,843) | 11,678 |
| **Equity attributable to owners of the parent** | | **156,590** | **217,360** |
| Non-controlling interests | | 43,291 | 46,532 |
| **TOTAL SHAREHOLDERS' EQUITY** | **6.6** | **199,881** | **263,892** |
| **Non-current liabilities:** | | | |
| Non-current provisions for risks and charges | 6.7 | 8,930 | 14,295 |
| Employee benefit obligations | | 2,892 | 3,039 |
| Deferred tax liabilities | | 2,528 | 7,950 |
| Bank borrowings and other financial liabilities | 6.8 | 93,145 | 52,368 |
| Other payables and other non-current liabilities | | 26,624 | 28,585 |
| **Total non-current liabilities** | | **134,119** | **106,237** |
| **Current liabilities:** | | | |
| Current provisions for risks and charges | 6.7 | 3,111 | - |
| Trade payables | | 97,142 | 113,644 |
| Current tax liabilities | | 9,988 | 8,755 |
| Bank borrowings and other financial liabilities | 6.8 | 14,792 | 19,606 |
| Other payables and other current liabilities | 6.9 | 50,137 | 33,493 |
| **Total current liabilities** | | **175,170** | **175,498** |
| **Liabilities held for distribution to owners** | 6.5 | **29,975** | - |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **539,145** | **545,627** |

## Consolidated statement of comprehensive income

**For the nine-month periods ended 30 September 2018 and 2017**

| | Notes | *For the Nine-months Ended* | |
|---|---|---|---|
| | | *30 September 2018* | *30 September 2017* |
| | | *€thousand* | *€thousand* |
| Revenues | 7.1 | 526,489 | 476,423 |
| Other income | | 2,666 | 2,230 |
| **Total revenues and income** | | **529,155** | **478,653** |
| Raw materials (including change in stocks) | | 84,135 | 81,358 |
| Cost of services | | 295,506 | 275,911 |
| Personnel costs | | 109,852 | 102,296 |
| Amortization, depreciation and impairment of fixed assets | 7.2 | 41,185 | 26,745 |
| Net impairment losses on financial assets | 7.3 | 5,128 | 256 |
| Other costs | | 3,728 | 3,636 |
| **Total costs** | | **539,534** | **490,202** |
| **Operating profit** | | **(10,379)** | **(11,549)** |
| Financial income (charges), net | 7.4 | (7,999) | 8,734 |
| **Profit/(losses) before taxes** | | **(18,378)** | **(2,815)** |
| Taxes | 7.5 | (5,542) | 2,853 |
| **Net income (A)** | | **(12,836)** | **(5,668)** |
| *Attributable to:* | | | |
| - Owners of the parent | | (9,843) | (5,061) |
| - Minority interests | | (2,993) | (607) |
| **Items of comprehensive income that will be subsequently recycled to the income statement** | | | |
| Differences on translation of financial statements of foreign entities | | 2,713 | (18,726) |
| **Total items of comprehensive income (B)** | | **2,713** | **(18,726)** |
| **Total comprehensive income of the period (A+B)** | | **(10,123)** | **(24,394)** |
| *Attributable to:* | | | |
| - Owners of the parent | | (7,654) | (19,939) |
| - Minority interests | | (2,469) | (4,455) |

## Consolidated statement of cash flow

**For the nine-month periods ended 30 September 2018 and 2017**

| | | *For the Nine-months Ended* | |
|---|---|---|---|
| | *Notes* | *30 September 2018* *€thousand* | *30 September 2017* *€thousand* |
| **Profit/(Losses) before taxes** | | **(18,378)** | **(2,815)** |
| Depreciation, amortization and impairment of fixed assets and receivables | 7.2, 7.3 | 46,313 | 27,001 |
| Net provisions | 6.7 | 2,912 | 4,451 |
| Financial charges/(income), net (excluding exchange gains/losses) | 7.4 | 10,322 | (4,892) |
| Other non-monetary changes | | | |
| Charge to/(Release of) provision for obsolescence | | 11,954 | (5,394) |
| Gain on disposal of key money | | (27) | 10 |
| *Changes in:* | | | |
| Inventories | | (31,487) | (1,880) |
| Trade and other receivables | 6.3 | 9,912 | 12,651 |
| Trade and other payables | | (375) | (7,420) |
| Provisions for risks and charges | 6.7 | (3,808) | (3,546) |
| Provision for employee benefits | | (40) | (46) |
| Interest paid | 7.4 | (4,632) | (6,898) |
| Interest received | 7.4 | 1,076 | 506 |
| Income taxes paid | 7.5 | (4,271) | (3,995) |
| **Cash generated from operating activities** | | **19,471** | **7,733** |
| Investment | | | |
| Additions to tangible assets | 6.2 | (16,724) | (18,453) |
| Additions to intangible assets | 6.1 | (2,204) | (2,026) |
| Disinvestment | | | |
| Disposals of tangible assets | 6.2 | 61 | - |
| (Increase)/Decrease in financial receivables | | - | 19 |
| **Cash used in investing activities** | | **(18,867)** | **(20,460)** |
| Proceeds from borrowings | 6.8 | 63,006 | 23,745 |
| Repayment of borrowings | 6.8 | (8,297) | (5,736) |
| Increase/(Decrease) in other financial debts | 6.8 | 533 | 506 |
| Capital increase net of treasury shares buyback | | 805 | (640) |
| Dividends paid | 6.6 | (54,805) | (11,007) |
| **Cash generated from financing activities** | | **1,242** | **6,868** |
| **Net cash flow of the period** | | **1,846** | **(5,859)** |
| **Cash and cash equivalents at the beginning of the period** | 6.4 | **30,269** | **37,619** |
| **Net cash flow of the period** | | **1,846** | **(5,859)** |
| **Exchange differences** | | **505** | **(2,815)** |
| **Cash and cash equivalents held for distribution to owners** | | **(2,802)** | **-** |
| **Cash and cash equivalents at the end of the period** | 6.4 | **29,818** | **28,945** |

# Statement of changes in consolidated shareholders' equity

## For the nine-month periods ended 30 September 2018 and 2017

| | Notes | Share capital | Share premium reserve | Legal reserve | Other reserves | Translation differences | Profit/ (Loss) for the period | Equity attributable to owners of the parent | Non-controlling interests | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | €thousand | €thousand | €thousand | €thousand | €thousand | €thousand | €thousand | €thousand | €thousand |
| **31 December 2016** | | **10,000** | **2,014** | **2,000** | **210,729** | **14,601** | **(6,938)** | **232,406** | **50,030** | **282,436** |
| Appropriation of profit/(loss) for the year | | - | - | - | (6,938) | | 6,938 | - | | **-** |
| Treasury shares buyback | | - | - | - | (423) | | | (423) | (217) | **(640)** |
| ***Transactions with shareholders*** | | - | - | - | | | | - | | **-** |
| Dividend distribution | | - | - | - | (9,000) | | | (9,000) | (2,007) | **(11,007)** |
| **Other movements** | | - | - | - | | | | - | | **-** |
| **Profit/(Loss) for the period** | | - | - | - | | | (5,061) | (5,061) | (607) | **(5,668)** |
| ***Other items of comprehensive income*** | | | | | | | | | | |
| Differences from translation of foreign entities' financial statements | | - | - | - | | (14,878) | | (14,878) | (3,848) | **(18,726)** |
| **Profit/(Loss) for the period including other items of comprehensive income** | | - | - | - | **-** | **(14,878)** | **(5,061)** | **(19,939)** | **(4,455)** | **(24,394)** |
| **30 September 2017** | | **10,000** | **2,014** | **2,000** | **194,368** | **(277)** | **(5,061)** | **203,044** | **43,351** | **246,395** |

| | Notes | Share capital | Share premium reserve | Legal reserve | Other reserves | Translation differences | Profit/ (Loss) for the period | Equity attributable to owners of the parent | Non-controlling interests | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | €thousand | €thousand | €thousand | €thousand | €thousand | €thousand | €thousand | €thousand | €thousand |
| **31 December 2017** | | **10,000** | **2,014** | **2,000** | **193,859** | **(2,191)** | **11,678** | **217,360** | **46,532** | **263,892** |
| Change in accounting policy | 2.2 | | | | 112 | | | **112** | | **112** |
| **1 January 2018** | | **10,000** | **2,014** | **2,000** | **193,971** | **(2,191)** | **11,678** | **217,472** | **46,532** | **264,004** |
| Appropriation of profit/(loss) for the year | | - | - | - | 11,678 | | (11,678) | - | | **-** |
| Capital increase due to minority interests contribution | | | | | 7 | | | 7 | 1 | **8** |
| Employees stock plan subscription | | - | - | - | 367 | | | 367 | 430 | **797** |
| Transactions with shareholders | | - | - | - | | | | - | | **-** |
| Dividend distribution | | - | - | - | (53,602) | | | (53,602) | (1,203) | **(54,805)** |
| **Other movements** | | - | - | - | | | | - | | **-** |
| **Profit/(Loss) for the period** | | - | - | - | | | (9,843) | (9,843) | (2,993) | **(12,836)** |
| Other items of comprehensive income | | | | | | | | | | **-** |
| Differences from translation of foreign entities' financial statements | | - | - | - | | 2,189 | | 2,189 | 524 | **2,713** |
| **Profit/(Loss) for the period including other items of comprehensive income** | | - | - | - | **-** | **2,189** | **(9,843)** | **(7,654)** | **(2,469)** | **(10,123)** |
| **30 September 2018** | 6.5 | **10,000** | **2,014** | **2,000** | **152,421** | **(2)** | **(9,843)** | **156,590** | **43,291** | **199,881** |

# Notes to the condensed consolidated interim financial statements
**For the nine-month periods ended 30 September 2018 and 2017**

## 1 General

GIVI Holding S.r.l., formerly GIVI Holding S.p.A., (the “Company” or “GIVI Holding”, together with its subsidiaries “GIVI Group” or the “Group”) is a worldwide leader in the luxury sector, where, under its proprietary trademarks, it creates, manufactures, distributes and markets also by means of licensing agreements with third parties luxury goods ranging from the Haute Couture collections of Atelier Versace to ready-to-wear collections, from jewelry to fragrances, from home furnishings to porcelain tableware collections, to interior design. The Group’s products are distributed worldwide through a network of highly specialized stores consisting mainly of DOS (Directly Operated Stores), franchised stores and a number of independent multi-brand stores, department stores and duty-free shops. The Company is incorporated and domiciled in Italy and organized under the laws of the Italian Republic, with registered office in Milan, Via Manzoni, 38. As of 30 September 2018, there were no changes in the Company’s ownership structure as compared to 31 December 2017.

On 24 September 2018, Michael Kors Holdings Limited (subsequently renamed Capri Holdings Limited) signed a stock purchase agreement with certain members of the Versace family and certain affiliates of The Blackstone Group L.P., and a related stock purchase agreement with certain management members of Gianni Versace S.p.A. for the acquisition of the outstanding shares of the GIVI Holding and of the non-controlling interest in the subgroup Gianni Versace S.p.A. for a total enterprise value of €1.83 billion on the date of the announcement (or approximately €1.753 billion at acquisition date, including the fair value of approximately 2.4 million Capri Holdings Limited shares issued to the Versace family). The closing of the acquisition was completed on 31 December 2018.

As a result of the stock purchase agreements, the investments in the subsidiary Verim and certain other non-core-assets and liabilities of the Company (together with the investment in Verim, the “Disposal Group of Assets”) were not transferred to Capri Holdings Limited. On 8 October 2018, the Company’s shareholders announced the project to transfer the Disposal Group of Assets to a newly established entity owned by members of Versace family, Verim Holding S.r.l., by way of a partial demerger (the “Demerger”) effective on 30 December 2018.

As of 30 September 2018, the Non-core Assets meet the criteria to be classified as a group of assets available for distribution to owners pursuant to IFRS 5 – ‘Non-current Assets Held for Sale and Discontinued Operations’. For further details reference is made to note 6.5 below.

## 2 Summary of reporting standards adopted

### 2.1 Basis of preparation

These condensed consolidated interim financial statements for the nine-month period ended 30 September 2018 (the “Interim Financial Statements”) have been prepared on a going concern basis and in accordance with the International Financial Reporting Standards as issued by the International Accounting Standard Board (“IFRSs”). More specifically, the Interim Financial Statements have been prepared in accordance with the Accounting Standard IAS 34 - *Interim Financial Reporting* . The Interim Financial Statements do not include all the notes of the type normally included in a full disclosure financial statements. Accordingly, these financial statements are to be read in conjunction with the three-year consolidated financial statements for the years ended 31 December 2017, 2016 and 2015, approved by the Company’s Board of Directors on 21 December 2018 (the “Three-year Consolidated Financial Statements”).

The accounting policies adopted for the preparation of these financial statements are consistent with those utilized for the preparation of the Three-year Consolidated Financial Statements mentioned above, to which reference is made, except for:

(i) The adoption of the accounting standards that came into force on 1 January 2018. In particular, the Group has adopted, among others, IFRS 15 - *Revenue from Contracts with Customers* and IFRS 9 – *Financial Instruments* from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements as described in paragraph 2.2 'New accounting standards, interpretations and amendments adopted by the Group' below;

(ii) Income taxes, which, for the interim period, are estimated based on taxable income existing at the end of the period and using the tax rate that will be applicable to expected total annual profit or loss; and

(iii) The policy for assets held for distribution to owners pursuant to IFRS 5 applied to the Non-core Assets mentioned above. In particular, a non-current asset (or disposal group) is classified as held for distribution to owners when the entity is committed to distribute the asset (or disposal group) to the owners. This condition is met when the assets are available for immediate disposal in their present condition and the disposal is highly probable. That is when actions to complete the disposal have been initiated and are expected to be completed within one year from the date of classification. Non-current assets (or disposal groups) that are classified as held for disposal are measured at the lower of the carrying amount and fair value less costs to dispose.

The Interim Financial Statements are presented in euro, the Group's functional currency.

The amounts in the primary financial statements and those in the tables included in the explanatory notes are expressed in thousands of euro, unless otherwise specified.

These Interim Financial Statements were approved by the Company's Board of Directors on 13 March 2019.

## 2.2 New accounting standards, interpretations and amendments adopted by the Group

The following new or amended standards became applicable for the current reporting period.

| Description | Effective date |
|---|---|
| IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014), which includes *Amendments to IFRS 15* : *Effective date* (issued on 11 September 2015) | Financial years beginning on or after 1 Jan. 2018 |
| IFRS 9 Financial instruments (issued on 24 July 2014) | Financial years beginning on or after 1 Jan. 2018 |
| Clarifications to IFRS 15 *Revenue from Contracts with Customers* (issued on 12 April 2016) | Financial years beginning on or after 1 Jan. 2018 |
| Amendments to IFRS 4 - *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (issued on 12 September 2016) | Financial years beginning on or after 1 Jan. 2018 |
| IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016) | Financial years beginning on or after 1 Jan. 2018 |
| Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016) | Financial years beginning on or after 1 Jan. 2018 |
| Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016) | Financial years beginning on or after 1 Jan. 2018 |
| Amendments to IAS 40: Transfers of Investment Property (issued on 8 December 2016) | Financial years beginning on or after 1 Jan. 2018 |

The Group adopted IFRS 15 - *Revenue from Contracts with Customers* and IFRS 9 - *Financial Instruments* for the first time as of 1 January 2018, taking advantage of the possibility provided by the transitional provisions to not provide comparative information. The nature and effects of these changes are set out in the following paragraphs.

The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

**IFRS 15 – Revenue from contracts with Customers**

IFRS 15 provides the recognition and measurement criteria of revenue from contracts with customers, envisaging that the recognition of revenue is based on the following 5 steps: (i) identifying the contract with a customer; (ii) identifying the performance obligations represented by contractual promises to transfer goods and/or services to a customer; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations identified on the basis of the stand-alone sale price of each good or service; and (v) recognizing revenue when its performance obligation is met, i.e. when the promised good or service is transferred to the customer. The transfer is considered completed when the customer obtains control of the good or service, which can take place continuously (over time) or at a specific time (at a point in time).

The Group has analyzed the different types of contracts related to the sale goods, services and revenues from royalties and determined that no significant impact as a result of the adoption the new standard.

In applying IFRS 15, the Group took the following points into consideration:

*(i)* Sale of goods - wholesale

The Group distributes products in the wholesale channel (franchisees, multi-brand stores, duty-free shops, in-store boutiques and department stores). Under the new standard, revenues are recognized when control of the asset is transferred to the customer, which generally occurs on the delivery of the goods, in line with the accounting treatment under the previous standards ("revenue recognition at a point in time"). Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as approximately 50% of the sales are normally settled in advance and the remaining portion is paid with a credit term of 30-60 days, which is consistent with market practice. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

*(ii)* Sale of goods - retail

The group operates in the retail channel through its DOS (Directly Operated Stores) network. Under the new standard, revenues are recognized when control of the asset is transferred to the customer, which generally occurs on the delivery of the goods, in line with the accounting treatment under the previous standards ("revenue recognition at a point in time"). In particular, revenue is recognized when a group entity sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the goods.

*(iii)* Royalties

Royalties originate from the application of contractual fees to revenues generated by final retailers or intermediate distributors, from authorized manufacturers ("licensees") of products marketed under the trademarks owned by the Versace Group, or from the application of fees for the use of the brand in promotional activities. Revenue is recognized as the products are sold by the licensee. Royalty revenue generated from licenses, may be subject to contractual minimum levels, as defined in the relevant contract. If the Group expects the minimum guaranteed amounts to exceed amounts calculated based on actual sales, the guaranteed minimums are recognized ratably over the term of the contract to which they relate.

*(iv)* Accounting for refunds

The group previously recognized a provision for returns which was measured on a net basis at the margin on the sale (€2,475 thousand at 31 December 2017). Revenue was adjusted for the expected value of the returns and raw materials (including change in stocks) were adjusted for the value of the corresponding goods expected to be returned.
Under IFRS 15, a refund liability for the expected refunds to customers is recognized as adjustment to revenue (€4,432 thousand at 1 January 2018) in 'Other payables and other current liabilities'. At the same time, the Group has a right to recover the product from the customer where the customer exercises his right of return and recognizes an asset within 'Inventories' and a corresponding adjustment to cost of sales (€1,957 thousand at 1 January 2018). The asset is measured by reference to the former carrying amount of the product. The costs to recover the products are not material because the customer usually returns the product in a saleable condition at the store. To reflect this change in policy, the Group has derecognized €2,475 thousand from provisions and recognized other payables and other current liabilities of €4,432 thousand and inventories of €1,957 thousand on 1 January 2018.

**IFRS 9 – Financial Instruments**

IFRS 9, approved with Regulation no. 2016/2067 issued by the European Commission on 22 November 2016, was adopted effective as from 1 January 2018. As allowed by the transitional provisions of the accounting standard, the effects of the first application of IFRS 9 were recognized in shareholders' equity as at 1 January 2018, without restating the previous period under comparison.

The classification and measurement of the financial assets of the Group did not have a significant impact on the Group as a whole as a result of the application of the new standard.

As regards to the impairment model based on the expected credit loss prescribed by IFRS 9, the Group already assessed the recoverability of trade receivables partially using a specific analysis and partially using an estimation model based on historical analysis and historical trend of collections. Based on the analysis carried out by management, the method already adopted by the Group led to same results of those of the expected credit loss model as provided for IFRS 9. Consequently, the application of IFRS 9 with respect to the recoverability of trade receivables did not show a change as of 1 January 2018.

With the introduction of IFRS 9, in the event of the renegotiation of a financial liability that does not qualify as "extinction of the original debt", the difference between i) the book value of the pre-change liability and ii) the present value of the cash flows of the revised debt, discounted at the original rate (IRR), is accounted for in the income statement. The Group has examined the liability management operations conducted in previous years. The effects deriving from the adoption of IFRS 9 are summarized in the following table.

The following table shows the effects of the first-time adoption of IFRS 9 and IFRS 15 on 1 January 2018:

| | *As of 1 January 2018* | | | | |
|---|---|---|---|---|---|
| | ***Figures published as of 31 December 2017*** | ***Application of IFRS 15*** | ***Application of IFRS 9*** | ***Total first-time effects*** | ***Restated figures as of 1 January 2018*** |
| | ***€thousand*** | ***€thousand*** | ***€thousand*** | ***€thousand*** | ***€thousand*** |
| **Non-current assets:** | **252,552** | **-** | **-** | **-** | **252,552** |
| **Current assets:** | **293,075** | **1,957** | **-** | **1,957** | **295,032** |
| of which Inventories | 147,268 | 1,957 | | 1,957 | 149,225 |
| **Non-current liabilities:** | **106,237** | **(2,475)** | **(112)** | **(2,587)** | **103,650** |
| of which Provisions for risks and charges | 14,295 | (2,475) | | (2,475) | 11,820 |
| of which Bank borrowings and other financial liabilities | 52,368 | - | (147) | (147) | 52,221 |
| of which Deferred tax liabilities | 7,950 | - | 35 | 35 | 7,985 |
| **Current liabilities:** | **175,498** | **4,432** | **-** | **4,432** | **179,930** |
| of which Other payables and other current liabilities | 33,493 | 4,432 | | 4,432 | 37,925 |
| **TOTAL SHAREHOLDERS' EQUITY** | **263,892** | **-** | **112** | **112** | **264,004** |

### 2.3 Accounting standards, interpretations and amendments that have been issued but are not effective yet

The following table lists the International Financial Reporting Standards and interpretations which have been issued by the IASB but are not yet effective on or after the reporting date.

| **Description** | **Effective date** |
|---|---|
| IFRS 16 *Leases* (issued on 13 January 2016) | Financial years beginning on or after 1 Jan. 2019 |
| IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017) | Financial years beginning on or after 1 Jan. 2019 |
| Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017) | Financial years beginning on or after 1 Jan. 2019 |
| Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017) | Financial years beginning on or after 1 Jan. 2019 |
| Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017) | Financial years beginning on or after 1 Jan. 2019 |
| Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018) | Financial years beginning on or after 1 Jan. 2019 |
| Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018) | Financial years beginning on or after 1 Jan. 2020 |
| Amendment to IFRS 3 Business Combinations (issued on 22 October 2018) | Financial years beginning on or after 1 Jan. 2020 |
| Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) | Financial years beginning on or after 1 Jan. 2020 |
| IFRS 17 Insurance Contracts (issued on 18 May 2017) | Financial years beginning on or after 1 Jan. 2021 |

IFRS 16 – ' *Leases* ' was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the lease item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Group's operating leases. As of 30 September 2018, the Group has non-cancellable operating lease commitments of approximately €317,988 thousand. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification cash flows. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

IFRIC 23 “Uncertainty over Income Tax Treatments” provides guidance on how to reflect uncertainties over the tax treatment of an item in the recognition of income taxes.

“Amendments to IFRS 9: Financial Instruments” allow measurement at amortized cost of some pre-payable financial assets with so-called negative compensation.

“Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures” are intended to clarify the application of IFRS 9 in accounting for long-term receivables due from associates or join ventures that, in substance, form part of the net investment in the associate or joint venture.

“Annual Improvements to IFRS Standards 2015-2017 Cycle” concern the following standards:

- IAS 12 Income Taxes: accounting treatment of the income tax consequences of dividends on financial instruments classified as equity;
- IAS 23 Borrowing Costs: classification of borrowing that specifically finance qualifying assets when they are ready for their intended use or sale;
- IFRS 3 Business Combination and IFRS 11 Joint Arrangements: accounting for the acquisition of control over a business that is a joint operation.

“Amendments to IAS 19: Plan Amendment, Curtailment or Settlement” are designed to clarify how pension costs are determined when a change occurs in a defined benefit plan.

The revision of the “Conceptual Framework for Financial Reporting” provides a new version of the definitions of assets and liabilities, together with a guidance on their measurement, derecognition, presentation and description in the Notes. The new Conceptual Framework does not constitute a substantial revision of the original version of the Framework and of 2004, while the IASB focused on topics not yet analysed in the same version.

“Amendments to IFRS 3: Definition of a Business” are intended to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.

“Amendments to IAS 1 and IAS 8: Definition of Material” are designed to clarify the definition of ‘material’ and to align the definition used in the Conceptual Framework and the standards themselves.

IFRS 17 – ‘ *Insurance Contracts* ’ was issued in May 2017. The new accounting standard for the accounting of insurance contracts will replace IFRS 4.

The Group expects that the adoption of the standards applicable to financial periods beginning on or after the reporting date will not have a material impact on the measurement of the Group’s assets, liabilities, revenues and costs, except for IFRS 16 and IFRIC 23, for which assessments are ongoing.

### 2.4 Consolidation area and changes therein

There were no changes in the scope of consolidation compared to the Three-year Consolidated Financial Statements, except for the establishment of a new subsidiary in Thailand, for which details are as follows:

| *Legal name* | *Registered office* | *Functional currency* | *Capital (currency unit)* | *Percentage held Directly* | *Percentage held Indirectly* | *Consolidation method* | *Equity* **€thousand** | *Net profit/(loss)* **€thousand** |
|---|---|---|---|---|---|---|---|---|
| Versace Thailand | Bangkok, Thailand | Thailand Baht, THB | 2,637,067 | - | 100% | Line by line | 2,670 | - |

### 2.5 Translation of foreign currency financial statements

The financial statements of subsidiaries are prepared using the currency of the primary economic environment in which they operate. Financial statements expressed in currencies other than the euro are translated on the following basis:

i) Assets and liabilities are translated at the exchange rates of the closing date;
ii) Revenues and costs are translated at the average exchange rates for the year;
iii) The 'Foreign currency translation reserve' included in comprehensive income includes both the exchange differences arising from the translation of income items at an exchange rate other than that of the closing date and those generated from the translation of opening shareholders' equity at an exchange rate other than that of the closing date;

There were no changes in the subsidiaries with a functional currency other than the euro included in the scope of consolidation as compared to 31 December 2017, except for the establishment of a new subsidiary in Thailand.

The exchange rates applied in the translation of foreign currency financial statements are listed below:

| | *Average exchange rate for the nine-month periods ended* | |
|---|---|---|
| | *30 September 2018* | *30 September 2017* |
| ***Currency*** | | |
| Taiwan dollar | 35.715 | 34.002 |
| US dollar | 1.194 | 1.114 |
| Australian dollar | 1.576 | 1.454 |
| Canadian dollar | 1.537 | 1.455 |
| Swiss franc | 1.161 | 1.095 |
| Turkish lira | 5.510 | 4.003 |
| Pound sterling | 0.884 | 0.873 |
| Yen | 130.925 | 124.681 |
| Hong Kong dollar | 9.363 | 8.677 |
| Macau pataca | 9.644 | 8.938 |
| Ringgit | 4.765 | 4.838 |
| Renminbi | 7.779 | 7.577 |
| UAE dirham | 4.386 | 4.090 |
| Singaporean dollar | 1.600 | 1.547 |
| Real | 4.297 | 3.535 |
| South Korean won | 1,303.126 | 1,268.107 |
| Thai Baht | 38.398 | - |

| | *Closing exchange rate as of* | |
|---|---|---|
| | **30 September 2018** | **31 December 2017** |
| ***Currency*** | | |
| Taiwan dollar | 35.343 | 35.656 |
| US dollar | 1.158 | 1.199 |
| Australian dollar | 1.605 | 1.535 |
| Canadian dollar | 1.506 | 1.504 |
| Swiss franc | 1.132 | 1.170 |
| Turkish lira | 6.965 | 4.546 |
| Pound sterling | 0.887 | 0.887 |
| Yen | 131.230 | 135.010 |
| Hong Kong dollar | 9.058 | 9.372 |
| Macau pataca | 9.330 | 9.653 |
| Ringgit | 4.789 | 4.854 |
| Renminbi | 7.966 | 7.804 |
| UAE dirham | 4.251 | 4.404 |
| Singaporean dollar | 1.584 | 1.602 |
| Real | 4.654 | 3.973 |
| South Korean won | 1,285.750 | 1,279.610 |
| Thai Baht | 37.448 | - |

### 2.6 Seasonality

The markets in which the Group operates are characterized by seasonal cycles that are typical of the retail and wholesale channels deriving from the sales calendars and relative shipping times which can cause an uneven breakdown in the sales flow and in operating costs during the various quarters of the year. In particular, the Group experiences greater sales during the second and last quarter of the financial year due to a combination of higher volumes of goods sold on the retail channel and the delivery of the fall/winter collection on the wholesale one. Consequently, income statement results for interim periods cannot be considered as proportional to the year as a whole. At the same time, the interim figures are affected by seasonal events also in terms of working capital, equity and net financial position.

## 3 Estimates and assumptions

The preparation of financial statements requires management to apply accounting policies and methods that are sometimes based on subjective judgements, estimates based on past experience and assumptions that are from time to time considered reasonable and realistic in the circumstances. The application of these estimates and assumptions affects the amounts presented in financial statements and the related disclosures. The actual amounts of items for which estimates and assumptions were used may differ from those reported in the financial statements due to the uncertainty that characterizes assumptions and the conditions on which estimates are based.

Below is a list of the items that require greater subjectivity when making estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the Group's financial results.

a) Impairment of receivables : the impairment of receivables reflects management's best estimate of the losses that will be incurred on trade receivables. The estimate is based on the losses expected by the Group, determined based on past experience with similar receivables, current and past overdue accounts, careful monitoring of credit quality and projections about economic and market conditions.
b) Inventories: the inventories which are obsolete are periodically evaluated and written down in the case that their net realizable value is lower than their carrying amount. Write-downs are calculated on the basis of management assumptions and estimates which are derived from experience and historical results.
c) Deferred tax assets : the recognition of deferred tax assets is based on the expectation of sufficient taxable income in future years against which they can be recovered. Estimates of taxable income for the purpose of the recognition of deferred tax assets depend on factors that may change over time, generating significant effects on the recoverability of deferred tax assets.
d) Provisions for risks and charges : provisions are posted for the risk of unfavorable outcome of legal and tax disputes. The values of provisions reflect management's best estimate at the reporting date. This estimate entails the adoption of assumptions that depend on factors that may change over time and which could therefore have significant effects compared with management's current estimates made in the preparation of the consolidated financial statements.
e) Fair value of derivative financial instruments : the fair value of financial assets that are not quoted, such as derivative financial instruments, is determined through widely used financial valuation techniques that require the use of estimates and underlying assumptions. The assumptions may not materialize in the expected timeframe and manner. Therefore, the Group's estimates may differ from actual amounts.

## 4 Disclosure on financial risk

For information on financial risks, reference is made to the Three-year Consolidated Financial Statements.

## 5 Fair value estimates

With regard to financial instruments measured at fair value, the following table provides information about the method adopted to determine fair value. The applicable valuation techniques used to measure fair value are classified into three levels based on the type of inputs used, as follows:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability in active markets; and
- Level 3: Unobservable inputs.

The financial instruments carried at fair value of the Group are classified in Level 2 and the general criterion used for the calculation is the present value of the estimated future cash flows of the instrument.

The following table shows assets and liabilities that were measured at fair value as of 30 September 2018:

| | 30 September 2018 | | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** |
| | **€thousand** | **€thousand** | **€thousand** |
| Derivative financial instruments (forward contracts) asset | - | 530 | - |
| Derivative financial instruments (forward contracts) liability | - | (3,204) | - |

It should be noted that the book value of trade receivables and payables approximates their fair value.

Borrowings are at floating interest rates; therefore, they approximate fair value.

The following tables break down financial assets and liabilities as of 30 September 2018 by category:

| | **30 September 2018** | | | | |
|---|---|---|---|---|---|
| | **Financial assets/liabilities at fair value through profit or loss** | **Financial assets/liabilities at fair value through other comprehensive income** | **Assets at amortized cost** | **Liabilities at amortized cost** | **Total** |
| | **€thousand** | **€thousand** | **€thousand** | **€thousand** | **€thousand** |
| **Current assets** | | | | | |
| Cash and cash equivalents | - | - | 29,818 | - | **29,818** |
| Trade receivables | - | - | 54,821 | - | **54,821** |
| Other receivables and other current assets | | - | 10,003 | - | **10,003** |
| Financial assets (forward contracts) | 530 | - | - | - | **530** |
| **Non-current assets** | | | | | |
| Other receivables and other non-current assets | - | - | 35,579 | - | **35,579** |
| **Current liabilities** | | | | | |
| Trade payables | - | - | - | 97,142 | **97,142** |
| Bank borrowings and other financial liabilities | - | - | - | 14,792 | **14,792** |
| Financial liabilities (forward contracts) | 3,204 | - | - | - | **3,204** |
| Other payables and other current liabilities | - | - | - | 50,137 | **50,137** |
| **Non-current liabilities** | | | | | |
| Bank borrowings and other financial liabilities) | - | - | - | 93,145 | **93,145** |
| Other payables and other non-current liabilities | - | - | - | 26,624 | **26,624** |

## 6 Notes to the statement of financial position

### 6.1 Intangible assets

‘Intangible assets’ amount to €28,384 thousand as of 30 September 2018 (€32,436 thousand as of 31 December 2017). In the nine-month period ended 30 September 2018, the Group recorded €1,246 thousand of impairment relating to software for projects and solutions which will be no longer used, to the costs of non-strategic brands that will be wound down and to the Groups’ retail chains, as described in more details in the following note.

## 6.2 Property, plant and equipment

Movements in ‘Property, plant and equipment’ in the nine-month period ended 30 September 2018 are analyzed as follows:

| | Land and buildings: business operating assets | Buildings: non-business operating assets | Plant and machinery | Leasehold improvements | Industrial and commercial equipment | Other assets: furniture, fixtures and furnishings | Other assets: office machines and EDP systems | Other assets: vehicles | Assets under construction | Total property, plant and equipment |
|---|---|---|---|---|---|---|---|---|---|---|
| | €thousand | €thousand | €thousand | €thousand | €thousand | €thousand | €thousand | €thousand | €thousand | €thousand |
| **GROSS VALUE** | | | | | | | | | | |
| **Opening balance at 1 Jan. 2018** | **69,534** | **3,907** | **4,731** | **174,758** | **7,431** | **67,417** | **17,502** | **40** | **1,043** | **346,363** |
| +/- Reclassifications | - | - | - | 1,426 | - | 1,027 | 171 | - | (2,624) | - |
| + Additions | 3 | - | 164 | 7,461 | 78 | 1,695 | 1,149 | 37 | 6,477 | 17,064 |
| - Disposals | - | - | (3) | (980) | (94) | (1,394) | (100) | (32) | - | (2,603) |
| - Write-offs | - | - | (88) | (5,053) | (54) | (1,785) | (103) | - | 1 | (7,082) |
| +/- Foreign exchange translation reserve | - | 141 | (1) | 1,669 | 4 | 845 | 140 | (6) | 6 | 2,798 |
| +/- Assets classified as held for sale or other disposals | (67,264) | - | (329) | - | - | (8,681) | (79) | - | - | (76,353) |
| **Closing balance at 30 Sept. 2018** | **2,273** | **4,048** | **4,474** | **179,281** | **7,365** | **59,124** | **18,680** | **39** | **4,903** | **280,187** |
| **ACCUMULATED DEPRECIATION AND WRITE-OFFS** | | | | | | | | | | |
| **Opening balance at 1 Jan. 2018** | **(11,519)** | **(1,512)** | **(4,381)** | **(118,521)** | **(6,029)** | **(38,673)** | **(13,507)** | **(16)** | **-** | **(194,158)** |
| +/- Reclassifications | - | - | 62 | (29) | (62) | - | 29 | - | - | - |
| - Disposals | - | - | 2 | 1,009 | 94 | 1,388 | 61 | 16 | - | 2,570 |
| + Depreciation charges | (408) | - | (82) | (14,919) | (439) | (5,532) | (1,096) | (5) | - | (22,481) |
| + Write-off | - | - | 85 | 4,676 | 24 | 1,522 | 88 | - | - | 6,395 |
| + Impairment losses | - | (400) | (18) | (6,190) | (81) | (4,306) | (208) | (37) | (828) | (12,068) |
| +/- Foreign exchange translation reserve | - | (67) | (3) | (1,378) | (4) | (603) | (109) | 2 | - | (2,162) |
| +/- Assets classified as held for sale or other disposals | 10,835 | - | 290 | - | - | 3,822 | 79 | - | - | 15,026 |
| **Closing balance at 30 Sept. 2018** | **(1,092)** | **(1,979)** | **(4,045)** | **(135,352)** | **(6,497)** | **(42,382)** | **(14,663)** | **(40)** | **(828)** | **(206,878)** |
| **Opening net book value** | **58,015** | **2,395** | **350** | **56,237** | **1,402** | **28,744** | **3,995** | **24** | **1,043** | **152,205** |
| **Closing net book value** | **1,181** | **2,069** | **429** | **43,929** | **868** | **16,742** | **4,017** | **(1)** | **4,075** | **73,309** |
| **Change 31 Dec. 2017 vs. 30 Sept. 2018** | **(56,834)** | **(326)** | **79** | **(12,308)** | **(534)** | **(12,002)** | **22** | **(25)** | **3,032** | **(78,896)** |

Additions to property, plant and equipment in the nine-month period ended 30 September 2018, totaling €17,064 thousand (gross) are primarily comprised of the following:

- Leasehold improvements for €7,461 thousand, related to the renovation of boutiques, offices and outlet stores;
- Furniture and fixtures for boutiques for €1,695 thousand;
- Office machines for €1,149 thousand;
- Assets under construction for €6,477 thousand mainly related to the new openings of shops in the retail chain. In particular, the additions include Leasehold improvements, Furniture and fixtures and Office Machines for the following boutiques:
    - €1,121 thousand “LA Beverly Center”;
    - €1,016 thousand “Fifth New York”;
    - €1,551 thousand “Barl Harbour”;
    - €1,036 thousand "Munich Maximilianstrasse”
    - minor amounts totaling €1,753 thousand for other stores.

**Impairment**

On 31 December 2018, the acquisition of the outstanding shares of the Company by Capri Holding Limited was completed. The management, in light of an updated strategy consequent to such acquisition, prepared a plan for the reorganization of the Group’s retail chain involving a number of store closings and relocation and renovation projects to be completed during the next 3 years.

As a result of the impairment analysis conducted on the Group's retail chain an impairment as of €12,002 thousand was recorded in the nine-month period ended 30 September 2018, of which:

- €3,998 thousand relating to stores that will be definitely closed during the next 3 years;
- €3,220 thousand relating to stores subject to renovation or relocation mainly in the next 12/18 months; and
- €4,784 thousand relating to other stores in light of their performance.

For the purpose of impairment testing the recoverable amount (value in use) of the assets was determined at store level discounting the projected future cash flows over the shorter of the lease term or the date of any expected renovation, relocation, closing for each store, estimated by management using a weighted average cost of capital ("WACC") of 10%.

### 6.3 Trade receivables

'Trade receivables' as of 30 September 2018 and 31 December 2017 is analyzed as follows:

| | ***30 September 2018*** ***€thousand*** | ***31 December 2017*** ***€thousand*** |
|---|---|---|
| ***Trade receivables*** | | |
| Trade receivables from third parties | 65,236 | 77,876 |
| Bills receivable | 791 | 570 |
| Impairment of receivables | (11,206) | (6,437) |
| **Total** | **54,821** | **72,009** |

| | ***30 September 2018*** ***€thousand*** | ***31 December 2017*** ***€thousand*** |
|---|---|---|
| ***Impairment of receivables*** | | |
| Balance as of 1 January | 6,437 | 6,668 |
| Accruals | 5128 | 1118 |
| Translation reserve | (4) | (247) |
| Amount released/utilized | (355) | (1,102) |
| **Total** | **11,206** | **6,437** |

The increase of approximately €4,010 thousand in accruals is mainly attributable to the impairment of receivables related to two specific customers, whose solvency has deteriorated in the last few months.

At the reporting date there were no receivables falling due after five years, nor a concentration on a limited number of debtors.

The following table breaks down total receivables by geographical area as of 30 September 2018 and 31 December 2017:

| | ***30 September 2018*** ***€thousand*** | ***31 December 2017*** ***€thousand*** |
|---|---|---|
| ***Trade receivables by geographical area*** | | |
| ITALY | 17,248 | 21,671 |
| EU | 13,378 | 17,136 |
| EUROPE NON EU | 764 | 346 |
| NORTH AMERICA | 6,449 | 5,226 |
| JAPAN | 506 | 630 |
| ASIA | 14,864 | 20,997 |
| REST OF THE WORLD | 1,612 | 6,003 |
| **Total** | **54,821** | **72,009** |

### 6.4 Cash and cash equivalents

The balance of 'Cash and cash equivalents' as of 30 September 2018 and 31 December 2017 is analyzed below:

| | *30 September 2018* *€thousand* | *31 December 2017* *€thousand* |
|---|---|---|
| ***Cash and cash equivalents*** | | |
| Cash in hand, cash equivalents and checks | 8,845 | 4,261 |
| Bank deposits and credit card balances | 20,973 | 26,008 |
| **Total** | **29,818** | **30,269** |

For further details, see the cash flow statement.

### 6.5 Disposal group of assets

The following table summarizes the assets and liabilities that meet the criteria to be classified as held for distribution to owners as of 30 September 2018:

| | *30 September 2018* *€thousand* |
|---|---|
| **ASSETS** | |
| **Non-current assets:** | |
| Intangible assets | 278 |
| Property, plant and equipment | 61,327 |
| Deferred tax assets | 341 |
| Other receivables and other non-current assets | 2,410 |
| **Total non-current assets** | **64,356** |
| **Current assets:** | |
| Current tax assets | 33 |
| Other receivables and other current assets | 1,213 |
| Cash and cash equivalents | 2,802 |
| **Total current assets** | **4,048** |
| **TOTAL ASSETS** | **68,404** |
| **Non-current liabilities:** | |
| Provisions for risks and charges | 1,358 |
| Employee benefit obligations | 108 |
| Deferred tax liabilities | 4,430 |
| Bank borrowings and other financial liabilities | 21,675 |
| Other payables and other non-current liabilities | 25 |
| **Total non-current liabilities** | **27,596** |
| **Current liabilities:** | |
| Trade payables | 984 |
| Current tax liabilities | 81 |
| Bank borrowings and other financial liabilities | 740 |
| Other payables and other current liabilities | 574 |
| **Total current liabilities** | **2,379** |
| **TOTAL LIABILITIES** | **29,975** |

### 6.6 Shareholders' equity

Movements in equity reserves are detailed in the primary statement of these Interim Financial Statements.

As of 30 September 2018, share capital amounted to €10,000 thousand, fully paid in, and divided into 10,000,001 shares with no par value.

Changes in equity in the nine-month period ended 30 September 2018 mainly relate to the net loss for the period and the distribution of dividends for €54,805 thousand. In particular, the Company distributed €53,602 thousand, of which €50,500 thousand was approved in the shareholder meeting on 28 June 2018, €3,102 thousand was approved in the shareholder meeting on 27 April 2018. In addition, €1,203 thousand was distributed to minority shareholders of certain subsidiaries.

### 6.7 Provisions for risks and charges (current and non-current)

'Provisions for risks and charges' (current and non-current) amount to €12,041 thousand as of 30 September 2018 (€14,295 thousand of 31 December 2017). The decrease as compared to 31 December 2017 is mainly attributable to the change in the accounting of sales returns as a result of the adoption of IFRS 15 from 1 January 2018 (see note 2.2 for further details) and to the reclassification of €1,358 thousand to liabilities held for distribution to owners (see note 6.5 for further details). The above effects were partially offset by the accruals of provision for management incentives for €750 thousand.

### 6.8 Bank borrowings and other (current and non-current) financial liabilities

The following table analyses current and non-current financial liabilities as of 30 September 2018 and 31 December 2017:

| | *30 September 2018* | | | *31 December 2017* | | |
|---|---|---|---|---|---|---|
| | *€thousand* | | | *€thousand* | | |
| ***Bank borrowings and other financial liabilities*** | **Total** | *Current* | *Non-current* | **Total** | *Current* | *Non-current* |
| Long-term loans | 92,980 | | *92,980* | 57,246 | *4,987* | *52,259* |
| Short-term credit facilities | 7,213 | *7,213* | - | 10,220 | *10,220* | - |
| Other financial debts (derivative instruments) | 3,204 | *3,204* | - | 342 | *342* | - |
| Borrowing charges | - | | - | 125 | *125* | - |
| Debit balances on bank accounts | 4,360 | *4,360* | - | 3,867 | *3,867* | - |
| Due to leasing companies | 180 | *15* | *165* | 174 | *65* | *109* |
| **Total** | **107,937** | **14,792** | **93,145** | **71,974** | **19,606** | **52,368** |

On 27 June 2018, the Group entered into an unsecured term loan facility with Goldman Sachs, for a notional amount of €53,000 thousand with an interest period of 3 months and Euribor rate of the period plus a spread. The loan facility was drawn down for the entire amount at the opening date and then fully reimbursed on 29 October 2018.

Cost associated with this loan, including €927 thousand of arrangement fees paid upfront, were recognized in the net loss for the period.

Some of the financing arrangements set out in the table above, among other obligations, require compliance with specific financial covenants. Based on the actual figures as of 30 September 2018, all covenants were amply complied with.

As of 30 September 2018, €22,415 thousand of 'Bank borrowings and other financial liabilities' were reclassified as liabilities held for distribution to owners (see note 6.5 for further details).

### 6.9 Other payables and other current liabilities

'Other payables and other current liabilities' as of 30 September 2018 and 31 December 2017 is analyzed below:

| | *30 September 2018* | *31 December 2017* |
|---|---|---|
| | *€thousand* | *€thousand* |
| ***Other payables and other current liabilities*** | | |
| Payments on account from customers | 14,951 | 9,182 |
| Payables to employees and social security | 16,190 | 9,683 |
| Lease payments | 3,580 | 4,095 |
| Other payables to the Revenue | 2,162 | 3,486 |
| VAT payable | 2,586 | 1,288 |
| Other payables | 6,312 | 5,759 |
| Refund liabilities | 4,356 | - |
| **Total** | **50,137** | **33,493** |

'Payments on account from customers' comprises mainly amounts paid in advance by wholesale customers. The increase as compared to 31 December 2017 is mainly attributable to the seasonality of the business.

'Payables to employees and social security' comprises amounts owed to personnel for salaries, holidays earned but not taken at the reporting date and accrued 13 th month pay.

Following the adoption of IFRS 15 from 1 January 2018, refund liabilities amounting to €4,356 thousand as of 30 September 2018, were recognized within other payables and other current assets.

## 7 Notes to the statement of comprehensive income

### 7.1 Revenues

The following table analyzes 'Revenues' for the nine-month periods ended 30 September 2018 and 2017 by distribution channel and by product category:

| | *For the Nine-month periods Ended* | |
|---|---|---|
| | *30 September 2018* | *30 September 2017* |
| | *€thousand* | *€thousand* |
| ***Core business revenues*** | | |
| DOS (Directly Operated Stores) | 339,572 | 315,703 |
| Wholesale | 147,959 | 125,624 |
| Royalties | 38,958 | 35,096 |
| **Total** | **526,489** | **476,423** |

| | *For the Nine-month periods Ended* | |
|---|---|---|
| | *30 September 2018* | *30 September 2017* |
| | *€thousand* | *€thousand* |
| ***DOS (Directly Operated Stores)*** | | |
| Ready-to-wear (incl. Atelier) | 184,516 | 161,464 |
| Accessories | 138,606 | 139,748 |
| Fragrances | 1,744 | 1,401 |
| Jewelry | 6,873 | 6,180 |
| Home collection | 7,833 | 6,910 |
| **Total revenue from the Group's boutiques** | **339,572** | **315,703** |

| | For the Nine-month periods Ended | |
|---|---|---|
| | 30 September 2018 | 30 September 2017 |
| | €thousand | €thousand |
| ***Wholesale*** | | |
| Ready-to-wear (incl. Atelier) | 86,429 | 76,824 |
| Accessories | 54,935 | 41,908 |
| Home collection | 6,589 | 6,878 |
| Jewelry | 6 | 14 |
| **Total revenues from manufacturers and distributors** | **147,959** | **125,624** |

| | For the Nine-month periods Ended | |
|---|---|---|
| | 30 September 2018 | 30 September 2017 |
| | €thousand | €thousand |
| ***Royalties*** | | |
| Royalties from manufacturers | 33,327 | 29,928 |
| Revenue from interior design services | 5,345 | 4,935 |
| Royalties from franchisees | 286 | 233 |
| **Total royalties, commission and interior design** | **38,958** | **35,096** |

'Revenues' for the nine-month periods ended 30 September 2018 and 2017 is analyzed by channel and by geographical area as follows:

| | For the Nine-month periods Ended | |
|---|---|---|
| | 30 September 2018 | 30 September 2017 |
| | €thousand | €thousand |
| ***DOS (Directly Operated Stores)*** | | |
| EMEA | 94,327 | 92,586 |
| NORTH AMERICA | 70,626 | 58,489 |
| ASIA PACIFIC | 166,718 | 156,445 |
| REST OF THE WORLD | 2,055 | 3,031 |
| JAPAN | 5,846 | 5,152 |
| **Total** | **339,572** | **315,703** |

| | For the Nine-month periods Ended | |
|---|---|---|
| | 30 September 2018 | 30 September 2017 |
| | €thousand | €thousand |
| ***Wholesale (by destination area)*** | | |
| EMEA | 80,863 | 71,223 |
| NORTH AMERICA | 20,708 | 16,556 |
| ASIA PACIFIC | 44,596 | 36,598 |
| REST OF THE WORLD | 1,571 | 1,008 |
| JAPAN | 221 | 239 |
| **Total** | **147,959** | **125,624** |

### 7.2 Amortization, depreciation and impairment of fixed assets

An analysis of 'Amortization, depreciation and impairment of fixed assets' for the nine-months ended 30 September 2018 and 2017, is as follows:

| | For the Nine-month periods Ended | |
|---|---|---|
| | ***30 September 2018*** ***€thousand*** | ***30 September 2017*** ***€thousand*** |
| ***Amortization, depreciation and impairment of fixed assets*** | | |
| Depreciation of property, plant and equipment | 22,481 | 21,164 |
| Amortization of intangible assets | 4,697 | 5,309 |
| Impairment/write-off of fixed assets | 14,007 | 272 |
| **Total** | **41,185** | **26,745** |

For further details, see notes 6.1 and 6.2.

### 7.3 Net impairment losses on financial assets

'Net impairment losses on financial assets' amounts to €5,128 thousand for the nine months ended 30 September 2018 (€256 thousand for the nine months ended September 2017) and includes impairment of trade receivables. For further details, see note 6.3.

### 7.4 Financial income (charges), net

'Financial income (charges), net' for the nine-month periods ended 30 September 2018 and 2017 is analyzed as follows:

| | For the Nine-month periods Ended | |
|---|---|---|
| | ***30 September 2018*** ***€thousand*** | ***30 September 2017*** ***€thousand*** |
| ***Financial income (charges), net*** | | |
| Realized exchange losses, net | (7,197) | (10,886) |
| Unrealized exchange losses, net | (9,269) | - |
| Borrowing charges | (5,076) | (4,578) |
| **Total financial charges** | **(21,542)** | **(15,464)** |
| Realized exchange gains, net | 12,397 | 8,798 |
| Unrealized exchange gains, net | - | 14,843 |
| Interest income | 1,146 | 557 |
| **Total financial income** | **13,543** | **24,198** |
| **Total financial income (charges), net** | **(7,999)** | **8,734** |

Exchange gains and losses originate from foreign sales, both intercompany and to third parties, in currencies other than the euro.

Borrowing charges are analyzed by nature below:

| | For the Nine-month periods Ended | |
|---|---|---|
| | ***30 September 2018*** ***€thousand*** | ***30 September 2017*** ***€thousand*** |
| ***Nature*** | | |
| Interest expense on borrowings | 2,152 | 1,813 |
| Financial expense on derivative instruments | 2,896 | 2,512 |
| Other interest expense | 28 | 253 |
| **Total borrowing charges** | **5,076** | **4,578** |

‘Interest income’ includes an adjustment to the liability connected with the put option held by minority shareholders in the subsidiary Versace Australia for €70 thousand for the nine-month period ended 30 September 2018 (€51 thousand for the nine-month period ended 30 September 2017), financial income on derivative instruments, as well as interest on current accounts with banks and miscellaneous interest income.

### 7.5 Taxes

The effective tax rate amounts to 30.2% for the nine-month period ended 30 September 2018 and negative 101.3% for the comparative figures.

In particular, the nine-month period ended 30 September 2018 includes income of €4,182 thousand related to the amicable settlement between the French and Italian tax authorities with respect to a double taxation matter, as further discussed in the notes to the Three-year Consolidated Financial Statements.

The nine-month period ended 30 September 2017 includes a cost of €3,462 thousand related to the settlement of a tax dispute.

## 8 Related party transactions

### 8.1 Financial position

The transactions carried out by the Group with related parties are not atypical or unusual, are part of the normal business operations of the Group and are carried out at arm’s length.

Financial position amounts relating to the Group’s transactions with related parties as of 30 September 2018 and 31 December 2017 are detailed below, with the percentage of the corresponding line item of the consolidated statement of financial position.

| | *30 September 2018* | | | |
|---|---|---|---|---|
| | ***Trade receivables*** | ***Other receivables and other current assets*** | ***Trade payables*** | ***Provisions for risks and charges*** |
| | ***€thousand*** | ***€thousand*** | ***€thousand*** | ***€thousand*** |
| ***Related party transactions – Statement of financial position*** | | | | |
| Related parties | 92 | - | 1 | 1,750 |
| **Related parties** | **92** | **-** | **1** | **1,750** |
| **Total statement of financial position** | **54,821** | **16,761** | **97,142** | **12,041** |
| **As % of total statement of financial position** | **0.2%** | **0.0%** | **0.0%** | **14.5%** |

| | *31 December 2017* | | | |
|---|---|---|---|---|
| | ***Trade receivables*** | ***Other receivables and other current assets*** | ***Trade payables*** | ***Provisions for risks and charges*** |
| | ***€thousand*** | ***€thousand*** | ***€thousand*** | ***€thousand*** |
| ***Related party transactions – Statement of financial position*** | | | | |
| Related parties | 135 | - | 40 | 1,000 |
| **Total related parties** | **135** | **-** | **40** | **1,000** |
| **Total statement of financial position** | **72,009** | **20,975** | **113,644** | **14,295** |
| **As % of total statement of financial position** | **0.2%** | **0.0%** | **0.0%** | **7.0%** |

Receivables from and payables to related parties relate mainly to the remuneration of key management personnel and to consulting services with other related parties in which the Group holds an interest through the key management.

### 8.2 Comprehensive income

The transactions carried out by the Group with related parties are not atypical or unusual, are part of the normal business operations of the Group and are carried out at arm's length.

Comprehensive income amounts relating to the Group's transactions with related parties for the nine-month periods ended 30 September 2018 and 2017 are detailed below, with the percentage of the corresponding line item of the consolidated statement of comprehensive income:

| | *For the Nine-month periods Ended 30 September 2018* | | | | | |
|---|---|---|---|---|---|---|
| | ***Revenues €thousand*** | ***Other income €thousand*** | ***Cost of services €thousand*** | ***Personnel costs €thousand*** | ***Other costs €thousand*** | ***Financial income (charges) €thousand*** |
| ***Related party transactions – Statement of comprehensive income*** | | | | | | |
| Related parties | 82 | | 1,240 | 3,998 | | |
| **Total related parties** | **82** | **-** | **1,240** | **3,998** | **-** | **-** |
| **Total statement of comprehensive income** | **526,489** | **2,666** | **295,506** | **109,852** | **3,728** | **(7,999)** |
| **As % of total statement of comprehensive income** | **0.0%** | **0.0%** | **0.4%** | **3.6%** | **0.0%** | **0.0%** |

| | *For the Nine-month periods Ended 30 September 2017* | | | | | |
|---|---|---|---|---|---|---|
| | ***Revenues €thousand*** | ***Other income €thousand*** | ***Cost of services €thousand*** | ***Personnel costs €thousand*** | ***Other costs €thousand*** | ***Financial income (charges) €thousand*** |
| ***Related party transactions – Statement of comprehensive income*** | | | | | | |
| Related parties | 109 | | 2,126 | 3,053 | | |
| **Total related parties** | **109** | **-** | **2,126** | **3,053** | **-** | **-** |
| **Total statement of comprehensive income** | **476,423** | **2,230** | **275,911** | **102,296** | **3,636** | **8,734** |
| **As % of total statement of comprehensive income** | **0.0%** | **0.0%** | **0.8%** | **3.0%** | **0.0%** | **0.0%** |

Costs of services and personnel costs from related parties mainly related to consulting services with other related parties in which the Group holds an interest through key management.

### 8.3 Cash flows

Cash flow items relating to the Group's transactions with related parties for the nine-month periods ended 30 September 2018 and 2017 are detailed below, with the percentage of the corresponding line item of the consolidated cash flow statement.

| | For the Nine-month periods Ended 30 September 2018 | | |
|---|---|---|---|
| | *Cash generated from (used in) operating activities* | *Cash generated from (used in) investing activities* | *Cash generated from (used in) financing activities* |
| | *€thousand* | *€thousand* | *€thousand* |
| ***Related parties – Cash flow statement*** | | | |
| Related parties | 4,407 | - | - |
| **Total related parties** | **4,407** | **-** | **-** |
| **Total cash flow** | **19,471** | **(18,867)** | **1,242** |
| **As % of total** | **22.6%** | **0.0%** | **0.0%** |

| | For the Nine-month periods Ended 30 September 2017 | | |
|---|---|---|---|
| | *Cash generated from (used in) operating activities* | *Cash generated from (used in) investing activities* | *Cash generated from (used in) financing activities* |
| | *€thousand* | *€thousand* | *€thousand* |
| ***Related parties – Cash flow statement*** | | | |
| Related parties | 4,454 | - | - |
| **Total related parties** | **4,454** | **-** | **-** |
| **Total cash flow** | **7,733** | **(20,460)** | **6,868** |
| **As % of total** | **57.6%** | **0.0%** | **0.0%** |

# 9 Commitments and guarantees

## 9.1 Operating leases

Commitments of the Group for minimum future lease payments in connection with operating leases in place as of 30 September 2018 and 31 December 2017 are detailed as follows:

| | *30 September 2018* | *31 December 2017* |
|---|---|---|
| | *€thousand* | *€thousand* |
| Within 1 year | 78,712 | 87,270 |
| 1 to 5 years | 172,351 | 198,251 |
| After 5 years | 66,925 | 111,708 |
| **Total** | **317,988** | **397,229** |

Certain operating leases provide for a fixed guaranteed payment plus a variable payment determined mainly as a percentage of the sales made by a boutique in the period. In accordance with IAS 17, the variable payment is recognized at the time of settlement.

The amounts recognized in the statement of comprehensive income in relation to the Group's operating leases for the nine-month periods ended 30 September 2018 and 2017 are detailed below:

| | *For the Nine-month periods Ended* | |
|---|---|---|
| | *30 September 2018* | *30 September 2017* |
| Fixed payments | 73,187 | 88,747 |
| Variable payments | 12,095 | 2,950 |
| Other | 6,099 | 4,445 |
| **Total** | **91,381** | **96,142** |

### 9.2 Finance leases

As of 30 September 2018, the Company had two finance leases in place, one relating to an industrial building and one, entered into in September 2017 for an amount of €195 thousand and expiring in August 2022, relating to electronic equipment.

| | *30 September 2018* *€thousand* | *31 December 2017* *€thousand* |
|---|---|---|
| ***Finance leases*** | | |
| Land and buildings | | |
| *Historical cost* | 2,648 | 2,648 |
| *Accumulated depreciation* | (1,132) | (1,072) |
| Office machines and EDP systems | | |
| *Historical cost* | 277 | 195 |
| *Accumulated depreciation* | (55) | (13) |
| **Total** | **1,738** | **1,758** |

Commitments for minimum future lease payments in connection with finance leases in place as of 30 September 2018 and 31 December 2017 are detailed as follows:

| | *30 September 2018* *€thousand* | *31 December 2017* *€thousand* |
|---|---|---|
| ***Commitments for finance lease payments*** | | |
| Within 1 year | 91 | 64 |
| 1 to 5 years | 96 | 109 |
| After 5 years | - | - |
| **Total** | **187** | **173** |

## 10 Contingent liabilities

At the reporting date, there were no contingent liabilities other than those recognized in the consolidated financial statements.

## 11 Significant events after the reporting date

On 29 October 2018, €18,086 thousand of equity reserves were distributed to minority shareholders.

On 29 October 2018, the Group repaid €53,000 thousand outstanding under the unsecured term loan facility with Goldman Sachs, which was entered into on 27 June 2018.

On 20 December 2018, the demerger plan of the Non-core assets was formally approved. For accounting purposes the Demerger was effective from 30 December 2018.

On 31 December 2018, the acquisition of all of the outstanding shares of the Company by Victory S.r.l., a company indirectly fully owned by Capri Holdings Limited, was completed for a total enterprise value of approximately €1.753 billion, including the fair value of approximately 2.4 million Capri Holdings Limited shares issued to the Versace family.

Effective from 18 January 2019, the Company’s legal structure was changed from S.p.A to S.r.l.. As a results of this change, the Company’s share capital is no longer divided into shares, but into quotas.

On 10 January 2019, the Group fully repaid the outstanding amounts under its revolving line of credit (amounting to €40,000 thousand as of 30 September 2018) via an intercompany account with Victory S.r.l.

**Exhibit 99.3**

# UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following unaudited pro forma combined balance sheet combines the historical consolidated balance sheet of Capri Holdings Limited (and together with its subsidiaries, the “Company,” or "Capri") as of December 29, 2018 with the historical consolidated balance sheet of GIVI Holding S.r.l. (together with its subsidiaries, “GIVI”) as of September 30, 2018, giving effect to the acquisition of Gianni Versace S.p.A. (“Versace”) by the Company (the “Acquisition”) and the related financing transactions (the “Transactions”) on a pro forma basis as if they had been completed on December 29, 2018. The historical financial statements for GIVI are being included in this filing, as GIVI directly held approximately 80% of the outstanding equity interests in Versace immediately prior to the completion of the Acquisition.

The Company operates on a fiscal year that ends on the Saturday closest to March 31, whereas GIVI has a calendar year-end. The unaudited pro forma combined balance sheet and the statements of operations have been prepared utilizing period ends, which differ by less than 93 days, as permitted under the rules of S-X Article 11. The following unaudited pro forma combined statements of operations for the nine months ended December 29, 2018 and the fiscal year ended March 31, 2018 combines the Company’s historical consolidated statements of operations for the periods then ended with the historical consolidated statements of operations of GIVI for the nine months ended September 30, 2018 and the fiscal year ended December 31, 2017, respectively, and gives effect to the Transactions on a pro forma basis as if they had been completed on April 2, 2017. The unaudited pro forma combined financial statements show the impact of the Transactions on the Company’s historical consolidated financial positions and results of operations under the acquisition method of accounting, in accordance with Accounting Standards Codification Topic (“ ASC ”) 805 “Business Combinations,” with the Company treated as the acquirer of GIVI.

The unaudited pro forma combined financial statements reflect certain adjustments to GIVI’s historical consolidated financial statements to align those financial statements with U.S. generally accepted accounting principles (“U.S. GAAP”) accounting standards and the Company’s accounting policies, as well as certain adjustments to reflect currency translations. These adjustments are based upon the currently available information. Additionally, certain items have been reclassified from GIVI’s historical consolidated financial statements to align the presentation of those financial statements with the Company’s financial statement presentation. These reclassifications were determined based upon the information currently available to the Company, and additional reclassifications may be necessary once the acquisition accounting is completed and additional information is available. The pro forma combined financial statements also include adjustments to exclude investments in GIVI’s former subsidiary Verim S.r.l. (“Verim”) and certain other non-core assets and liabilities (together with the investment in Verim the “Carve out”), which were demerged effective December 30, 2018 and were not acquired by the Company. GIVI’s historical consolidated financial statements, which were prepared in accordance with International Financial Reporting Standard (“IFRS”) as issued by the International Accounting Standards Board, have been reconciled to U.S. GAAP and adjusted to (i) translate the financial statements to U.S. dollars based on historical exchange rates and (ii) to conform to the Company’s financial statement presentation.

The Acquisition will be accounted for as a business combination under the acquisition method of accounting, whereby the assets acquired and liabilities assumed will be measured at their respective fair values as of the date of completion of the Acquisition, with any residual value reflected as goodwill. The determination of the fair values of the net assets acquired, including intangible and net tangible assets, is based upon certain valuations that have not been finalized, and, accordingly, the adjustments to record the assets acquired and liabilities assumed at fair value reflect the Company’s best estimates and are subject to change once further analysis are completed. Under applicable guidance, the Company is not required to finalize its acquisition accounting until all information is available but no later than one year after the Acquisition is completed, and any subsequent adjustments made in connection with the finalization of the Company’s acquisition accounting may be material.

The unaudited pro forma combined statements of operations do not include: (1) any revenue or cost reduction synergies that may be achieved subsequent to the completion of the Acquisition; or (2) the impact of non-recurring items directly related to the Acquisition.

The pro forma combined financial statements are unaudited, are presented for informational purposes only, and are not necessarily indicative of the financial position or results of operations that would have occurred had the Transactions actually been completed as of the dates or at the beginning of the periods presented. In addition, the unaudited pro forma combined financial statements do not purport to project the future consolidated financial position or operating results of the combined company. The unaudited pro forma combined financial statements and the accompanying notes should be read together with:

- the audited historical consolidated financial statements of the Company for the fiscal year ended March 31, 2018 included in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2018 (the “Fiscal 2018 Annual Report”);

- the unaudited historical consolidated financial statements of the Company as of and for the nine months ended December 29, 2018 included in the Company's Quarterly Report on Form 10-Q for the quarter ended December 29, 2018 (the "Third Quarter Quarterly Report");
- the audited historical consolidated financial statements of GIVI as of and for the three years ended December 31, 2017 included in this Current Report on Form 8-K (the "Current Report");
- the unaudited historical consolidated financial statements of GIVI as of and for the nine months ended September 30, 2018 included in this Current Report;
- "Management's discussion and analysis of financial condition and results of operations," included in the Fiscal 2018 Annual Report; and
- "Management's discussion and analysis of financial condition and results of operations," included in the Third Quarter Quarterly Report.

# UNAUDITED PRO FORMA COMBINED BALANCE SHEET

## As of December 29, 2018

## (in Millions)

| | December 29, 2018 | September 30, 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Capri historical | GIVI historical after reclassifi-cations in EUR | GIVI historical after reclassifi-cations in USD | Carve out (Note 4(a) | IFRS to U.S. GAAP & policy adjustments | Note | Acquisition & Financing adjustments | Note | Pro forma combined |
| **Assets** | | | | | | | | | |
| Current assets | | | | | | | | | |
| Cash and cash equivalents | $ 264.5 | € 29.8 | $ 34.6 | $ — | $ — | | $ — | | $ 299.1 |
| Receivables, net | 291.2 | 54.8 | 63.6 | — | (2.5) | 5(a) | — | | 352.3 |
| Inventories | 764.7 | 167.8 | 194.8 | — | — | | 18.9 | 7(a) | 978.4 |
| Prepaid expenses and other current assets | 2,119.1 | 32.4 | 37.6 | — | — | | (1,917.6) | 7(b,c) | 239.1 |
| Total current assets | **3,439.5** | **284.8** | **330.6** | **—** | **(2.5)** | | **(1,898.7)** | | **1,868.9** |
| Property and equipment, net | 543.6 | 73.3 | 85.1 | — | 9.6 | 5(b) | (11.3) | 7(d) | 627.0 |
| Intangible assets, net | 1,132.9 | 28.4 | 32.9 | — | (26.4) | 5(b,c,d) | 1,178.2 | 7(e) | 2,317.6 |
| Goodwill | 780.0 | — | — | — | — | | 894.5 | 7(f) | 1,674.5 |
| Deferred tax assets | 47.2 | 47.8 | 55.5 | — | (11.3) | 5(c,d,e) | (14.4) | 7(c,g,h,i) | 77.0 |
| Other assets | 85.2 | 36.4 | 42.3 | — | 19.9 | 5(e) | 71.3 | 7(c,i) | 218.7 |
| Carve out assets | — | 68.4 | 79.4 | (79.4) | — | | — | | — |
| Total assets | **$ 6,028.4** | **€ 539.1** | **$ 625.8** | **$ (79.4)** | **$ (10.7)** | | **$ 219.6** | | **$ 6,783.7** |
| **Liabilities and shareholders' equity** | | | | | | | | | |
| Current liabilities | | | | | | | | | |
| Accounts payable | $ 329.0 | € 97.2 | $ 112.8 | $ — | $ (2.5) | 5(a) | $ 28.9 | 7(g) | $ 468.2 |
| Accrued payroll and payroll related expenses | 99.2 | 18.4 | 21.4 | — | — | | — | | 120.6 |
| Accrued income taxes | 22.5 | 10.0 | 11.6 | — | — | | — | | 34.1 |
| Short-term debt | 579.4 | 14.8 | 17.2 | — | — | | — | | 596.6 |
| Accrued expenses and other current liabilities | 357.3 | 34.8 | 40.4 | — | — | | (3.8) | 7(c) | 393.9 |
| Total current liabilities | **1,387.4** | **175.2** | **203.4** | **—** | **(2.5)** | | **25.1** | | **1,613.4** |
| Deferred rent | 130.6 | 18.4 | 21.4 | — | — | | (14.2) | 7(c,j) | 137.8 |
| Deferred tax liabilities | 181.6 | 2.5 | 2.9 | — | — | | 283.9 | 7(h,k) | 468.4 |
| Long-term debt | 1,954.7 | 93.1 | 108.0 | — | — | | — | | 2,062.7 |
| Other long-term liabilities | 107.0 | 20.0 | 23.3 | — | (2.7) | 5(f) | 33.4 | 7(i) | 161.0 |
| Carve out liabilities | — | 30.0 | 34.8 | (34.8) | — | | — | | — |
| Total liabilities | **3,761.3** | **339.2** | **393.8** | **(34.8)** | **(5.2)** | | **328.2** | | **4,443.3** |
| Commitments and contingencies | | | | | | | | | |
| Redeemable noncontrolling interest | — | — | — | — | 3.3 | 5(f) | — | | 3.3 |
| Shareholders' equity | | | | | | | | | |
| Ordinary shares | — | 10.0 | 11.6 | — | — | | (11.6) | 7(l) | — |
| Treasury shares | (3,223.1) | | — | — | — | | — | | (3,223.1) |
| Additional paid-in capital | 892.4 | 2.0 | 2.3 | — | — | | 88.5 | 7(l,m) | 983.2 |
| Accumulated other comprehensive loss | (92.9) | (0.1) | (0.1) | — | (0.4) | 5(e) | 0.5 | 7(l) | (92.9) |
| Retained earnings | 4,687.3 | 144.7 | 168.0 | (44.6) | (7.8) | 5(c,d,e) | (136.4) | 7(g,l) | 4,666.5 |
| Total shareholders' equity of Capri | 2,263.7 | 156.6 | 181.8 | (44.6) | (8.2) | | (59.0) | | 2,333.7 |
| Noncontrolling interest | 3.4 | 43.3 | 50.2 | — | (0.6) | 5(f) | (49.6) | 7(n) | 3.4 |
| Total equity | **2,267.1** | **199.9** | **232.0** | **(44.6)** | **(8.8)** | | **(108.6)** | | **2,337.1** |
| **Total liabilities and shareholders' equity** | **$ 6,028.4** | **€ 539.1** | **$ 625.8** | **$ (79.4)** | **$ (10.7)** | | **$ 219.6** | | **$ 6,783.7** |

See accompanying notes to the unaudited pro forma combined financial statements.

## UNAUDITED PRO FORMA COMBINED
## STATEMENT OF OPERATIONS
## For the nine months Ended December 29, 2018
## (in Millions, except per share amounts)

| | Nine Months Ended | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | December 29, 2018 | September 30, 2018 | | | | | | | |
| | Capri historical | GIVI historical after reclassifi-cations in EUR | GIVI historical after reclassifi-cations in USD | Carve out (Note *4(b)* ) | IFRS to U.S. GAAP & policy adjustments | Note | Acquisition & Financing adjustments | Note | Pro forma combined |
| Total revenue | $ 3,894.3 | € 526.5 | $ 629.1 | $ — | $ 0.4 | *5(g)* | $ — | | $ 4,523.8 |
| Cost of goods sold | 1,507.2 | 177.8 | 212.5 | — | — | | — | | 1,719.7 |
| Gross profit | 2,387.1 | 348.7 | 416.6 | — | 0.4 | | — | | 2,804.1 |
| Selling, general and administrative expenses | 1,466.0 | 318.2 | 380.3 | 1.6 | 0.4 | *5(g)* | 2.0 | *8(a)* | 1,850.3 |
| Depreciation and amortization | 160.1 | 27.3 | 32.5 | (0.4) | 1.1 | *5(c)* | 9.7 | *8(b,c)* | 203.0 |
| Impairment of long lived assets | 17.2 | 14.0 | 16.7 | — | — | | — | | 33.9 |
| Restructuring and other charges | 49.2 | 2.3 | 2.7 | — | — | | (11.7) | *8(d)* | 40.2 |
| Total operating expenses | 1,692.5 | 361.8 | 432.2 | 1.2 | 1.5 | | — | | 2,127.4 |
| Income (loss) from operations | 694.6 | (13.1) | (15.6) | (1.2) | (1.1) | | — | | 676.7 |
| Other income, net | (3.7) | (2.7) | (3.2) | 0.1 | — | | — | | (6.8) |
| Interest expense (income), net | 21.1 | 3.9 | 4.7 | (1.0) | — | | 58.8 | *9(a)* | 83.6 |
| Foreign currency loss (gain) | 78.5 | 4.1 | 4.9 | — | — | | (72.5) | *8(e)* | 10.9 |
| Income (loss) before provision for income taxes | 598.7 | (18.4) | (22.0) | (0.3) | (1.1) | | 13.7 | | 589.0 |
| Provision (benefit) for income taxes | 76.0 | (5.6) | (6.6) | (1.6) | (0.5) | *5(e,h,i)* | (4.1) | *8(f), 9(b)* | 63.2 |
| Net income (loss) | 522.7 | (12.8) | (15.4) | 1.3 | (0.6) | | 17.8 | | 525.8 |
| Less: Net (loss) income attributable to noncontrolling interest | (0.9) | (3.0) | (3.6) | — | — | | 3.7 | *8(g)* | (0.8) |
| Net income (loss) attributable to Capri | $ 523.6 | € (9.8) | $ (11.8) | $ 1.3 | $ (0.6) | | $ 14.1 | | $ 526.6 |
| Weighted average ordinary shares outstanding: | | | | | | | | | |
| Basic (in shares) | 149,420,087 | | | | | | 2,395,170 | *10* | 151,815,257 |
| Diluted (in shares) | 151,457,921 | | | | | | 2,395,170 | *10* | 153,853,091 |
| Net income per share: | | | | | | | | | |
| Basic | $ 3.50 | | | | | | | | $ 3.47 |
| Diluted | $ 3.46 | | | | | | | | $ 3.42 |

See accompanying notes to the unaudited pro forma combined financial statements.

## UNAUDITED PRO FORMA COMBINED
## STATEMENT OF OPERATIONS
## For the Year Ended March 31, 2018
## (in Millions, except per share amounts)

| | Fiscal Year Ended | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | March 31, 2018 | December 31, 2017 | | | | | | | |
| | Capri historical | GIVI historical after reclassifi-cations in EUR | GIVI historical after reclassifi-cations in USD | Carve out (Note 4(a)) | IFRS to U.S. GAAP & policy adjustments | Note | Acquisition & Financing adjustments | Note | Pro forma combined |
| Total Revenue | $ 4,718.6 | € 668.0 | $ 753.9 | $ — | $ 0.5 | *5(g)* | $ — | | $ 5,473.0 |
| Cost of goods sold | 1,859.3 | 219.4 | 247.6 | — | — | | — | | 2,106.9 |
| Gross profit | 2,859.3 | 448.6 | 506.3 | — | 0.5 | | — | | 3,366.1 |
| Selling, general and administrative expenses | 1,766.8 | 406.1 | 458.3 | 1.9 | 1.2 | *5(d,g)* | 2.5 | *8(a)* | 2,230.7 |
| Depreciation and amortization | 208.6 | 35.8 | 40.4 | (0.5) | 1.2 | *5(c,d)* | 15.7 | *8(b,c)* | 265.4 |
| Impairment of long-lived assets | 32.7 | 3.0 | 3.4 | — | — | | — | | 36.1 |
| Restructuring and other charges | 102.1 | 3.3 | 3.7 | — | — | | — | | 105.8 |
| Total operating expenses | 2,110.2 | 448.2 | 505.8 | 1.4 | 2.4 | | 18.2 | | 2,638.0 |
| Income (loss) from operations | 749.1 | 0.4 | 0.5 | (1.4) | (1.9) | | (18.2) | | 728.1 |
| Other income, net | (1.7) | (5.9) | (6.6) | 0.1 | — | | — | | (8.2) |
| Interest expense, net | 22.3 | 5.4 | 6.1 | (1.8) | — | | 78.5 | *9(a)* | 105.1 |
| Foreign currency loss (income) | (13.3) | (14.0) | (15.8) | — | — | | — | | (29.1) |
| Income (loss) before provision for income taxes | 741.8 | 14.9 | 16.8 | 0.3 | (1.9) | | (96.7) | | 660.3 |
| Provision (benefit) for income taxes | 149.7 | 0.1 | 0.1 | (0.9) | 3.5 | *5(h,i)* | (18.2) | *8(f),9(b)* | 134.2 |
| Net income (loss) | 592.1 | 14.8 | 16.7 | 1.2 | (5.4) | | (78.5) | | 526.1 |
| Less: Net income (loss) attributable to noncontrolling interest | 0.2 | 3.1 | 3.5 | — | — | | (3.3) | *8(g)* | 0.4 |
| Net income (loss) attributable to Capri | $ 591.9 | € 11.7 | $ 13.2 | $ 1.2 | $ (5.4) | | $ (75.2) | | $ 525.7 |
| Weighted average shares outstanding: | | | | | | | | | |
| Basic (in shares) | 152,283,586 | | | | | | 2,395,170 | *10* | 154,678,756 |
| Diluted (in shares) | 155,102,885 | | | | | | 2,395,170 | *10* | 157,498,055 |
| Net income per share: | | | | | | | | | |
| Basic | $ 3.89 | | | | | | | | $ 3.40 |
| Diluted | $ 3.82 | | | | | | | | $ 3.34 |

See accompanying notes to the unaudited pro forma combined financial statements.

## NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

### Note 1 - Description of the Transactions

On December 31, 2018, the Company completed the acquisition of Versace, through the acquisition of GIVI from the Versace family, as well as the acquisition of interests held by certain affiliates of the Blackstone Group L.P. and certain management members of Versace. GIVI directly held approximately 80% of the outstanding equity interests in Versace immediately prior to the completion of the Acquisition. The total consideration was approximately €1.753 billion (or approximately $2.005 billion, based on $1.1437 U.S. Dollars to one (€1) Euro as of December 31, 2018), including the fair value of approximately 2.4 million of Company shares issued to the Versace family at Acquisition. The Acquisition was funded through a combination of borrowings under the Company's 2018 Term Loan Facility, drawings under the Company's Revolving Credit Facility and cash on hand (see Note 9 for additional information).

### Note 2 - Basis of presentation

The Company operates on a fiscal year that ends on the Saturday closest to March 31, whereas GIVI has a calendar year-end. The unaudited pro forma combined balance sheet and the statements of operations have been prepared utilizing period ends, which differ by less than 93 days, as permitted under the rules of S-X Article 11. The unaudited pro forma financial information has been derived from (x) the consolidated financial statements of the Company for (i) the nine months ended December 29, 2018 and the related notes thereto, included in the Third Quarter Quarterly Report, and (ii) the fiscal year ended March 31, 2018 and the related notes thereto, included in the Fiscal 2018 Annual Report, and (y) the historical consolidated financial statements of GIVI as of and for (i) the nine months ended September 30, 2018 and the related notes thereto, included in this Current Report and (ii) the year ended December 31, 2017 and the related notes thereto, included in this Current Report.

The unaudited pro forma financial information has been prepared using the acquisition method of accounting in accordance with ASC 805 "Business Combinations" with the Company being the accounting acquirer.

The unaudited pro forma combined financial information is based on the Company's and GIVI's historical consolidated financial statements, as adjusted to give pro forma effect to the Transactions. The pro forma effects relate to events that are (i) directly attributable to the Transactions, (ii) factually supportable and (iii) with respect to the unaudited pro forma combined statements of operations, expected to have a continuing impact on the combined results. The pro forma adjustments are preliminary and based on estimates of the fair value and useful lives of the assets acquired and liabilities assumed and have been prepared to illustrate the estimated effect of the Transactions and certain other adjustments. The final determination of the purchase consideration and purchase accounting will be based on the fair values of the GIVI assets acquired and liabilities assumed at the date of the completion of the Acquisition. The pro forma combined financial statements are also adjusted to exclude the effect of the Carve out, as previously described and further detailed in Note 4.

The unaudited pro forma combined balance sheet combines the Company's historical consolidated balance sheet as of December 29, 2018 with the historical consolidated balance sheet of GIVI as of September 30, 2018, giving effect to the Transactions on a pro forma basis as if they had been completed on December 29, 2018. The unaudited pro forma combined statements of operations for the nine months ended December 29, 2018 and the fiscal year ended March 31, 2018 combine the Company's historical consolidated statements of operations for the periods then ended with the historical consolidated income statements of GIVI for the nine months ended September 30, 2018 and the fiscal year ended December 31, 2017, respectively, and give effect to the Transactions on a pro forma basis as if they had been completed on April 2, 2017.

The accounting policies of GIVI under International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), which are described in Note 1 to the historical consolidated financial statements included in this Current Report, are not significantly different from U.S. GAAP, except for those adjustments discussed further in Note 5 below, which also sets out the translation from Euro amounts into U.S. dollar amounts. Although the adjustments to GIVI's historical financial statements represent the currently known material adjustments to conform to U.S. GAAP, the accompanying unaudited pro forma IFRS to U.S. GAAP adjustments are preliminary and are subject to further adjustments as additional information becomes available and as additional analysis are performed. In addition, the accounting policies of the Company may vary materially from those of GIVI. During the preparation of the unaudited pro forma combined financial information, certain conforming adjustments were made based on the initial analysis of the differences in accounting policies. A thorough review of GIVI's accounting policies will be performed to ensure consistency with the Company's accounting policies and presentation.

**Note 3 - Reclassifications to GIVI's historical financial information**

Certain reclassifications have been made to GIVI's historical financial statements to conform to Capri's financial statement presentation. These reclassifications are summarized below (€ in millions):

*(a) Reclassifications included in the unaudited pro forma combined balance sheet*

Adjustments were made to reclassify GIVI's historical balance sheet line items to conform to the Company's financial statement presentation, including to reclassify current tax assets to prepaid expenses and other current assets, as well as to reclassify amounts included in current and non-current provisions for risks, other payables and other current liabilities, employee benefit obligations, and other payables and other non-current liabilities to accrued payroll and payroll related expenses, accrued expenses and other current liabilities, deferred rent and other long-term liabilities. The following table details reclassification adjustments (in millions):

| | | GIVI before reclassifications September 30, 2018 | | | GIVI after reclassifications September 30, 2018 |
|---|---|---|---|---|---|
| Current tax assets | € | 15.6 | Prepaid expenses and other current assets | € | 32.4 |
| Other receivables and other current assets | | 16.8 | | | |
| **Total assets reclassified** | **€** | **32.4** | **Total assets reclassified** | **€** | **32.4** |
| | | | | | |
| Current provisions for risks and charges | € | 3.1 | Accrued payroll and payroll related expenses | € | 18.4 |
| Other payable and other current liabilities | | 50.1 | Accrued expenses and other current liabilities | | 34.8 |
| Non-current provisions for risks and charges | | 8.9 | Deferred rent | | 18.4 |
| Employee benefit obligations | | 2.9 | Other long term liabilities | | 20.0 |
| Other payables and other non-current liabilities | | 26.6 | | | |
| **Total liabilities reclassified** | **€** | **91.6** | **Total liabilities reclassified** | **€** | **91.6** |

*(b) Reclassifications included in the unaudited pro forma combined statements of operations*

Adjustments were made to reclassify certain income and expenses reported in GIVI's historical income statements to conform to the Company's financial statement presentation, including: to reclassify other income from revenues to other income, net; to reclassify inventory related costs from cost of services to cost of goods sold, to reclassify personnel costs to selling, general and administrative expenses, to separately present impairment of long-lived assets and restructuring and other charges, and to separately present interest expense and foreign currency loss (income) from financial charges (income). The following table details reclassification adjustments (in millions):

| | GIVI before reclassifications | | | GIVI after reclassifications | |
|---|---|---|---|---|---|
| | Year ended December 31, 2017 | Nine months ended September 30, 2018 | | Year ended December 31, 2017 | Nine months ended September 30, 2018 |
| Revenue | € 668.0 | € 526.5 | Revenue | € 668.0 | € 526.5 |
| Other income | 5.9 | 2.7 | | | |
| **Total revenue** | **673.9** | **529.2** | **Total revenue** | **668.0** | **526.5** |
| Raw materials | 106.0 | 84.2 | Cost of goods sold | 219.4 | 177.8 |
| | 567.9 | 445.0 | **Gross profit** | 448.6 | 348.7 |
| Cost of services | 385.7 | 295.5 | Selling, general and administrative expenses | 406.1 | 318.2 |
| Personnel costs | 130.8 | 109.9 | Depreciation and amortization | 35.8 | 27.3 |
| Amortization, depreciation and impairment of fixed assets | 39.9 | 41.2 | Impairment of long-lived assets | 3.0 | 14.0 |
| Net impairment losses on financial assets | 5.2 | 5.1 | Restructuring and other charges | 3.3 | 2.3 |
| Other costs | — | 3.7 | | | |
| Total operating expenses | 561.6 | 455.4 | Total operating expenses | 448.2 | 361.8 |
| **Income (loss) from operations** | **6.3** | **(10.4)** | **Income (loss) from operations** | **0.4** | **(13.1)** |
| | | | Other income, net | (5.9) | (2.7) |
| Financial charges (income), net | (8.6) | 8.0 | Interest expense, net | 5.4 | 3.9 |
| | | | Foreign currency (income) loss | (14.0) | 4.1 |
| **Income (Loss) before provision for income taxes** | **14.9** | **(18.4)** | **Income (loss) before provision for income taxes** | **14.9** | **(18.4)** |
| Taxes | 0.1 | (5.6) | Provision for income taxes | 0.1 | (5.6) |
| **Net income (loss)** | **€ 14.8** | **€ (12.8)** | **Net income (loss)** | **€ 14.8** | **€ (12.8)** |

These reclassifications have no impact on the historical operating income, net income, total assets, liabilities or shareholders' equity previously reported by GIVI. The pro forma financial information is based on information available as of the date of this Current Report. A thorough review of GIVI's accounting policies and financial statements may result in additional adjustments to conform to the Company's financial statement presentation.

**Note 4 - GIVI Carve Out Adjustments**

On September 24, 2018, the Company signed a stock purchase agreement with certain members of the Versace family and certain affiliates of The Blackstone Group L.P. (the "share purchase agreement"), and a related stock purchase agreement with certain management members of Versace for the acquisition of the outstanding shares of GIVI and of the non-controlling interest in the subgroup Gianni Versace S.p.A. The closing of the acquisition was completed on December 31, 2018.

As a result of the agreements, the assets and liabilities subject to Carve out, comprised of GIVI's investments in Verim and certain other non-core-assets and liabilities were not transferred to the Company. GIVI transferred the Carve out assets and liabilities to a newly established entity owned by members of the Versace family, Verim Holding S.r.l., by way of a partial demerger effective on December 30, 2018. The following table summarizes the assets and liabilities that meet the criteria to be classified as Carve out asset and liabilities as of September 30, 2018 (in millions):

| | Carve Out Assets and Liabilities as of September 30, 2018 | |
|---|---|---|
| | **In Euro** | **In USD** |
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | € 2.8 | $ 3.2 |
| Other receivables and other current assets | 1.2 | 1.4 |
| **Total current assets** | **4.0** | **4.6** |
| **Non-current assets:** | | |
| Property, plant and equipment | 61.3 | 71.2 |
| Intangible assets | 0.3 | 0.3 |
| Deferred tax assets | 0.4 | 0.5 |
| Other receivables and other non-current assets | 2.4 | 2.8 |
| **Total non-current assets** | **64.4** | **74.8** |
| **Carve out Assets** | **€ 68.4** | **$ 79.4** |
| **Current liabilities;** | | |
| Trade payables | € 1.0 | $ 1.2 |
| Current tax liabilities | 0.1 | 0.1 |
| Bank borrowings and other financial liabilities | 0.7 | 0.8 |
| Other payables and other current liabilities | 0.6 | 0.7 |
| **Total current liabilities** | **2.4** | **2.8** |
| **Non-current liabilities:** | | |
| Provisions for risks and charges | 1.4 | 1.6 |
| Employee benefit obligations | 0.1 | 0.1 |
| Deferred tax liabilities | 4.4 | 5.1 |
| Bank borrowing and other financial liabilities | 21.7 | 25.2 |
| **Total non-current liabilities:** | **27.6** | **32.0** |
| **Carve out liabilities** | **€ 30.0** | **$ 34.8** |

The following adjustments have been made to GIVI's historical information for the purpose of the pro-forma financial information:

(a) To eliminate Carve out assets and liabilities of €68.4 million and €30.0 million, respectively, translated to $79.4 million and $34.8 million, respectively, using the exchange rate as of September 30, 2018 of $1.1607 U.S. Dollars to one (€1) Euro.

(b) To remove the historical statement of operations impact of Carve out for nine months ended September 30, 2018 and the year ended December 31, 2017.

**Note 5 - IFRS to U.S. GAAP and accounting policy adjustments**

GIVI's historical consolidated financial statements have been prepared in accordance with IFRS, which differs in certain respects from U.S. GAAP, and are reported in Euro. The unaudited pro forma combined financial information includes the income statement of GIVI from the historical audited consolidated financial statements for the year ended December 31, 2017, prepared in accordance with IFRS as issued by the IASB. The unaudited pro forma combined financial information includes the income statement of GIVI from the historical unaudited consolidated financial statements for the nine months ended September 30, 2018 and the balance sheet of GIVI from the historical unaudited interim consolidated financial statements as of September 30, 2018.

The historical figures have been adjusted to reflect GIVI's consolidated income statements and balance sheet on a U.S. GAAP basis and translated from Euro to U.S. dollars for the preparation of the unaudited pro forma combined financial information herein. Furthermore, there are differences in the period-end dates for the Company and GIVI, as previously described in Note 2. These differences are within permissible limits for pro forma financial statements.

GIVI’s financial information has been translated as follows:

- The unaudited pro forma combined statement of operations for the nine months ended September 30, 2018 has been translated using the average exchange rate for the period of $1.1950 U.S. Dollars to one **(** €1) Euro;
- The unaudited pro forma combined statement of operations for the year ended December 31, 2017 has been translated using the average exchange rate for 2017 of $1.1286 U.S. Dollars to one **(** €1) Euro; and
- The unaudited pro forma combined balance sheet has been translated at the closing rate of $1.1607 U.S. Dollars to one **(** €1) Euro as of September 30, 2018.

The following adjustments have been made to GIVI’s historical financial information to present it on a U.S. GAAP basis and conform to the Company's accounting policies for the purposes of the pro forma financial information:

(a) To reclassify cooperative advertising and mark-down payables from trade payables to account receivables;

(b) To reclassify software from intangible assets, net to property and equipment, net;

(c) To conform to the Company's accounting policies related to amortization of key money;

(d) To derecognize the previously capitalized long-lived assets and recognize the associated expense;

(e) To reverse deferred tax assets related to intercompany profits recorded in accordance with IFRS and recognize a long term asset in accordance with U.S. GAAP;

(f) To reclassify redeemable noncontrolling interest amount from other long-term liabilities and noncontrolling interest lines to redeemable noncontrolling interest;

(g) To present advertising contributions, net of cooperative advertising within net sales rather than within selling, general and administrative expenses;

(h) To reverse the income tax benefit recognized under IFRS with respect to net operating loss deferred tax amounts, which would not result in current period income tax benefit; and

(i) The tax effect of above adjustments was calculated using the Italy statutory tax rate of 27.9%.

We continue to perform a detailed review of GIVI’s historical financial statements prepared under IFRS. As a result of that review, the Company may identify differences between the accounting policies of the two companies that, when conformed, could have a material impact on the combined financial statements.

**Note 6 - Determination of purchase price**

The aggregate purchase price paid by the Company to acquire Versace was approximately $2,004.8 million (translated using the exchange rate as of December 31, 2018 of $1.1437 U.S. Dollars to one (€1) Euro) and was comprised of cash, as well as the closing value of the Company's ordinary shares issued to the Versace family, as further described below. The Company has entered into foreign exchange contracts for delivery of Euros to fund the Acquisition cash consideration and to hedge the exposure against changes in the exchange rate (see Note 9).

See below for total amount of purchase consideration at the closing of the Acquisition. The purchase consideration may be subject to future adjustments, such as indemnifications.

| | **Amount (in millions)** |
|---|---|
| Cash consideration paid to Versace stockholders [1] | $ 1,914.0 |
| Capri share consideration [2] | 90.8 |
| **Total Consideration** | **$ 2,004.8** |

(1) Total cash consideration of €1,673.5 million translated using the exchange rate as of December 31, 2018 of $1.1437 U.S. Dollars to one (€1) Euro.

(2) The Versace family elected to receive 2,395,170 of the Company’s ordinary shares in exchange for a portion of the cash consideration for their interests in GIVI. The closing price of the Company's shares as of December 31, 2018 of $37.92 was used to compute the fair value of the share consideration as of the acquisition date.

**Preliminary purchase price allocation**

Under the acquisition method of accounting, the estimated purchase price, calculated as described above, was allocated to the identifiable assets acquired and the identifiable liabilities assumed based upon their respective fair values with any excess being allocated to goodwill.

The allocation of the purchase price is preliminary, and the final determination will be based on the fair values of assets acquired and liabilities assumed, including the fair values of identifiable intangible assets and the fair values of liabilities assumed at the date the Acquisition is consummated. The purchase price allocation is dependent upon certain valuation and other studies that have not yet been completed. Accordingly, the preliminary purchase price allocation is subject to further adjustments as additional information becomes available and as additional analysis and final valuations are conducted at and following the completion of the Acquisition. The final valuations could differ materially from the preliminary valuations presented below and, as such, no assurances can be provided regarding the preliminary purchase price allocation.

The purchase price allocation was estimated based on GIVI's historical financial information reflecting IFRS to U.S. GAAP and accounting policy adjustments for pro forma purposes. The following tables summarize the preliminary purchase price allocation to the identifiable assets acquired and liabilities assumed of GIVI as well as the identifiable intangible assets recognized as part of the Acquisition (in millions):

| **Recognized amounts of identifiable assets acquired and liabilities assumed** | | **As of December 29, 2018** |
|---|---|---|
| Book value of GIVI's net assets [1] | $ | 181.9 |
| Elimination of historical intangible assets [2] | | (6.5) |
| Elimination of historical deferred rent [2] | | 19.1 |
| Elimination of redeemable noncontrolling interest | | (3.3) |
| | $ | 191.2 |
| | | |
| **Preliminary estimate of fair value adjustment of net assets acquired** | | |
| Inventory | | 18.9 |
| Intangible assets | | 1,184.7 |
| Goodwill [1] | | 894.5 |
| Property and equipment | | (11.3) |
| Deferred tax assets | | 17.9 |
| Unfavorable leases | | (7.2) |
| Deferred tax liabilities | | (283.9) |
| **Fair value of consideration transferred** | **$** | **2,004.8** |

| **Identifiable intangible assets** | | **As of December 29, 2018** |
|---|---|---|
| Licensing agreements | $ | 179.9 |
| Brand | | 962.2 |
| Wholesale customer relationships | | 25.0 |
| Franchise agreements | | 1.5 |
| Favorable lease rights | | 16.1 |
| **Fair value of identifiable intangible assets** | **$** | **1,184.7** |

(1) The book value of GIVI's net assets reflects Carve out adjustments, as well as IFRS to U.S. GAAP and accounting policy adjustments and is presented on a three-month lag as of September 30, 2018, as disclosed in Note 2. As such, the final goodwill amount that will be recorded in connection with the Acquisition is subject to change due to changes in the book value of GIVI's assets and liabilities at acquisition date and fluctuations in foreign currency exchange rates.

(2) The historical book value of intangible assets and deferred rent are reset for purchase accounting adjustments.

**Note 7 - Unaudited pro forma combined balance sheet adjustments**

The preliminary pro forma adjustments included in the unaudited combined financial information are as follows:

(a) Reflects the estimated step-up based on the inventory of GIVI. This amount is subject to change based upon management's final determination of the fair values of finished goods inventories. No adjustment has been made to the pro forma combined statements of operations to reflect this preliminary step-up in inventory value as it is not expected to have a continuing impact on the Company's financial statements subsequent to the Acquisition;

(b) Reflects restricted cash amount of $1,914.0 million , which was placed in escrow to finance the Acquisition. Refer to Note 6 and Note 9 details of the preliminary purchase price and financing, respectively;

(c) Reflects the elimination of the historical deferred rent balance of $21.4 million and the associated assets and liabilities including $3.6 million of prepaid expenses and other current assets, $1.6 million of deferred tax assets, $0.8 million of other assets, and $3.8 million of accrued expenses and other current liabilities;

(d) Reflects the preliminary purchase accounting adjustment of $ 11.3 million to write down certain property and equipment to fair value;

(e) Reflects the net increase in intangible assets based on a preliminary estimated fair value of $1,184.7 million of identifiable intangible assets, partially offset by an elimination of historical intangible assets of $6.5 million (see Note 6). The preliminary estimated fair value allocated to intangible assets primarily consists of brand, licensing agreements, wholesale customer relationships, franchise agreements and favorable lease rights.

(f) Reflects estimated goodwill related to the Acquisition, which was calculated as the difference between the fair value of the consideration transferred and the values assigned to the identifiable tangible and intangible assets acquired and liabilities assumed. The goodwill amount is subject to change due to various factors, including the fair values of assets and liabilities at acquisition date and foreign exchange currency impacts;

(g) The total transaction costs of approximately $40.6 million consist of approximately $39.6 million to be incurred by the Company and approximately $1.0 million to be incurred by GIVI. Approximately $11.7 million of these transaction costs have been recorded in the Company's historical consolidated statement of operations for the nine months ended December 29, 2018. The remainder of transaction costs have been reflected in the pro forma balance sheet as an adjustment to accounts payable of $28.9 million. The deferred tax impact of the above adjustments was $8.0 million, using the statutory tax rate in the Italy of 27.9%;

(h) Deferred tax asset increased by $17.9 million, which includes adjustments associated with net operating losses of $60.9 million, offset in part to reclassifications of $43.0 million to deferred tax liabilities due to jurisdictional netting;

(i) Represents adjustments to reduce deferred tax assets by $38.7 million and increase uncertain tax positions by $33.4 million, with an offsetting increase to other assets of $72.1 million relating to an indemnification provided by the share purchase agreement;

(j) Reflects $7.2 million of unfavorable leases based on the preliminary valuation of GIVI's leases;

(k) Represents deferred tax liabilities of $326.9 million recorded in connection with purchase accounting adjustments. The actual deferred tax liabilities may differ materially based on changes to the valuation allowance on the combined business which is not included for the purposes of these pro forma financial statements;

(l) Reflects the elimination of GIVI's historical equity accounts;

(m) Represents $90.8 million of share consideration for 2,395,170 of the Company's ordinary shares provided to the Versace family in exchange for a portion of their cash consideration (see Note 6); and

(n) Reflects the elimination of GIVI's historical non-controlling interests of $49.6 million, $48.7 million of which related to Blackstone's interest purchased by the Company.

Actual adjustments may differ materially based on the final determination of fair value and are subject to change;

**Note 8 - Unaudited pro forma combined statements of operations adjustments**

Adjustments included in the unaudited pro forma combined statements of operations are as follows:

(a) Represents adjustments to selling, general and administrative expenses associated the amortization of favorable and unfavorable lease assets;

(b) Reflects the elimination of historical intangible asset amortization expense and the additional straight-line amortization of the intangibles assets that were recognized as a result of the purchase price allocation, based on the following estimated useful lives:

- 12 year useful lives for licensing agreements;
- 10 year useful lives for wholesale customer relationships;
- 9 year useful lives for franchise agreements; and
- remaining lease term for key money.

These estimated useful lives were determined based on a review of the time period over which economic benefit is estimated to be generated and other factors, including contractual life, the period over which a majority of cash flow is expected to be generated and/or management's view based on historical experience with similar assets.

The brand intangible asset is considered to be an indefinite-lived asset and is not subject to amortization;

(c) Represents an adjustment to depreciation expense associated with fair value adjustments to property and equipment;

(d) Represents the elimination of transaction costs of $11.7 million included in the Company's historical consolidated financial statements for the nine-month period ended December 29, 2018. There will be no continuing impact of these transaction costs on the consolidated results of operations and, as such, these fees are not included in the unaudited pro forma combined statement of operations;

(e) In connection with the Acquisition, the Company entered into forward contracts to hedge the currency exposures associated with the cash consideration paid for the Acquisition (refer to Note 9 below for further details). This adjustment is to reverse the $77.4 million loss on settlement of the forward contract, offset in part by a $4.9 million gain on remeasurement of restricted cash between the settlement date and December 29, 2018;

(f) Represents the tax effect of the adjustments using the applicable statutory tax rate in the jurisdiction to which the adjustments related. The total effective tax rate of the Company after completion could be significantly different depending on the post-closing geographical mix of income and other factors; and

(g) Reflects the elimination of GIVI's historical non-controlling interest held by Blackstone, which was purchased by the Company.

**Note 9 - Financing adjustments**

On September 24, 2018, in connection with the acquisition of Versace, the Company entered into forward foreign currency exchange contracts with a total notional amount of €1.680 billion (approximately $2.001 billion) to mitigate its foreign currency exchange risk through the expected closing date of the acquisition. These derivative contracts were not designated as accounting hedges and, as such, changes in fair value were recorded to foreign currency gain/loss in the Company's consolidated statement of operations. These contracts were settled on December 21, 2018 as a result of the debt issued in connection with the acquisition of Versace, resulting in a $77.4 million loss recorded within foreign currency gain/loss in the Company's consolidated statement of operations for the nine months ended December 29, 2018.

On November 15, 2018, the Company entered into a third amended and restated senior unsecured credit facility (the "2018 Credit Facility") with, among others, JPMorgan Chase Bank, N.A., as administrative agent, which replaced its prior 2017 senior unsecured revolving credit facility. The 2018 Credit Facility provides for a $1.0 billion revolving credit facility (the "Revolving Credit Facility"), which may be denominated in U.S. Dollars and other currencies, including Euros, Canadian Dollars, Pounds Sterling, Japanese Yen and Swiss Francs. The Revolving Credit Facility also provides sub-facilities for the issuance of letters of credit of up to $75.0 million and swing line loans of up to $75.0 million. The 2018 Credit Facility also provides for a $1.6 billion term loan facility (the "2018 Term Loan Facility"). The 2018 Term Loan Facility is divided into two tranches, an $800.0 million tranche that matures on the second anniversary of the initial borrowing of the term loans and an $800.0 million tranche that matures on the fifth anniversary of the initial borrowing of the term loans. The $800.0 million tranche that matures on the fifth anniversary is required to be repaid on the last business day of March, June, September and December of each year, commencing after the last business day of the first full fiscal quarter after the initial borrowing, in installments equal to 2.50% of the aggregate original principal amount of the term loans. The Company has the right to prepay its borrowings under the 2018 Term Loan Facility at any time in whole or in part. The Revolving Credit Facility expires on November 15, 2023. The Company has the ability to expand its borrowing availability under the 2018 Credit Facility in the form of revolving commitments or term loans by up to an additional $500.0 million, subject to the agreement of the participating lenders and certain other customary conditions.

In connection with the acquisition of Versace on December 21, 2018, the Company borrowed $1.6 billion in term loans under the 2018 Term Loan Facility and $350.0 million under the $1.0 billion Revolving Credit Facility provided for under the 2018 Credit Facility, to pay a portion of the acquisition consideration and other related fees and expenses. The related cash was included in restricted cash within prepaid expenses and other current assets on the Company's consolidated balance sheet as of December 29, 2018.

The following financing adjustments were made in the unaudited pro forma combined balance sheet and statements of operations:

(a) The unaudited pro forma combined statements of operations reflect the estimated interest expense attributable to borrowings made under the Revolving Credit Facility and the 2018 Term Loan Facility, including amortization of the related debt issuance costs.

    These amounts were calculated using a weighted average interest rate on the indebtedness is 3.85% per annum, based on the actual weighted average rate of the New Revolving Credit Facility and the New Term loan Facility as of December 29, 2018. The stated interest rates may be materially different from the future interest rates incurred based on market conditions in any subsequent periods. A change of 0.125% in the interest rate on the New Revolving Credit Facility and New Term loan Facility would change interest expense on a pro forma basis by $1.8 million for the nine months ended December 29, 2018 and $2.4 million for the year ended March 31, 2018.

(b) A statutory tax rate of 19% was applied to the interest expense related to the New Revolving Credit Facility and the New Term loan Facility as these are expected to be drawn by Capri Holdings Limited, which is domiciled in the United Kingdom. This was the rate in effect during the periods for which the pro forma statements of operations were presented. The total effective tax rate of Capri after completion of the proposed Acquisition could be significantly different.

**Notes 10 - Comparative per share information**

The following table sets forth selected historical share information of the Company and unaudited pro forma share information of the Company, after giving effect to the proposed acquisition of Versace. This information should be read in conjunction with (x) the consolidated financial statements of the Company for (i) the nine months ended December 29, 2018 and the related notes thereto, included in the Third Quarter Quarterly Report, and (ii) the fiscal year ended March 31, 2018 and the related notes thereto, included in the Fiscal 2018 Annual Report, and (y) the historical consolidated financial statements of GIVI as of and (i) for the nine months ended September 30, 2018 and the related notes thereto, included in this Current Report, and (ii) the year ended December 31, 2017 and the related notes thereto, included in this Current Report.

| | Nine months ended December 29, 2018 | | Year ended March 31, 2018 | |
|---|---|---|---|---|
| | Capri historical | Pro forma combined [1] | Capri historical | Pro forma combined [1] |
| **Earnings per ordinary share** | | | | |
| Basic | $ 3.50 | $ 3.47 | $ 3.89 | $ 3.40 |
| Diluted | $ 3.46 | $ 3.42 | $ 3.82 | $ 3.34 |
| **Weighted average ordinary shares outstanding** | | | | |
| Basic | 149,420,087 | 151,815,257 | 152,283,586 | 154,678,756 |
| Diluted | 151,457,921 | 153,853,091 | 155,102,885 | 157,498,055 |

[1] The 2,395,170 increase in pro forma basic and diluted pro-forma weighted average ordinary shares for the nine months ended December 29, 2018 and the year ended March 31, 2018 is due to the issuance of the Company's ordinary shares to the Versace family in exchange for a portion of their cash consideration in the Acquisition (see Note 6).