

TOD'S

TOD'S Group

D'S

2016 IAS/IFRS Half Year **Financial** Report

Group

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## Company's data

### Registered office

TOD'S S.p.A.  
Via Filippo Della Valle, 1  
63811 Sant'Elpidio a Mare (Fermo) - Italy  
Tel. +39 0734 8661

### Legal data Parent company

Share capital resolved euro 66,187,078  
Share capital subscribed and paid euro 66,187,078  
Fiscal Code and registration number on Company Register of Court of Fermo: 01113570442  
Registered with the Chamber of Commerce of Fermo under n. 114030 R.E.A.

### Offices and Showrooms

Munich – Domagkstrasse, 1/b, 2  
Hong Kong – 35/F Lee Garden One, 33 Hysan Avenue, Causeway Bay  
London – Wilder Walk, 1  
Milan - Corso Venezia, 30  
Milan - Via Savona, 56  
Milan - Via Serbelloni, 1-4  
New York - 450, West 15<sup>th</sup> Street  
Paris – Rue de Faubourg Saint-Honore, 29  
Paris – Rue du Général FOY, 22  
Paris – Rue de L'Elysée, 22  
Seoul – 11/F Pax Tower 609, Eonju-ro, Gangnam-gu  
Shanghai - 1717 Nanjing West Road, Wheelock Square 45/F  
Tokyo – Omotesando Building, 5-1-5 Jingumae

### Production facilities

Comunanza (AP) - Via Merloni, 7  
Comunanza (AP) - Via S.Maria, 2-4-6  
Sant'Elpidio a Mare (FM) - Via Filippo Della Valle, 1  
Bagno a Ripoli, Loc. Vallina (FI) - Via del Roseto, 60  
Bagno a Ripoli, Loc. Vallina (FI) - Via del Roseto, 50  
Tolentino (MC) - Via Sacharov 41/43

## Corporate Governance bodies

|  |  |  |
|--|--|--|
| <b>Board of directors</b> <sup>(1)</sup>                                 | Diego Della Valle<br>Andrea Della Valle<br>Luigi Abete<br>Maurizio Boscarato<br>Luigi Cambri<br>Sveva Dalmasso<br>Emanuele Della Valle<br>Romina Guglielmetti<br>Emilio Macellari<br>Vincenzo Manes<br>Cinzia Oglio<br>Pierfrancesco Saviotti<br>Michele Scannavini<br>Stefano Sincini | Chairman<br>Vice - Chairman  |
| <b>Executive Committee</b>   | Diego Della Valle<br>Andrea Della Valle<br>Emilio Macellari<br>Stefano Sincini   | Chairman   |
| <b>Compensation Committee</b>  | Luigi Abete<br>Sveva Dalmasso<br>Vincenzo Manes  | Chairman   |
| <b>Control and Risk Committee</b>  | Luigi Cambri<br>Maurizio Boscarato<br>Romina Guglielmetti  | Chairman   |
| <b>Independent Directors Committee</b>                                   | Vincenzo Manes<br>Romina Guglielmetti<br>Pierfrancesco Saviotti  | Chairman   |
| <b>Board of statutory Auditors</b> <sup>(2)</sup>                        | Giulia Pusterla<br>Enrico Colombo<br>Fabrizio Redaelli<br>Gilfredo Gaetani<br>Myriam Amato   | Chairman<br>Acting stat. auditor<br>Acting stat. auditor<br>Substitute auditor<br>Substitute auditor |
| <b>Independent Auditors</b> <sup>(3)</sup>                               | PricewaterhouseCoopers S.p.A.  |  |
| <b>Manager responsible for preparing the company's financial reports</b> | Rodolfo Ubaldi   |  |

<sup>(1)</sup> Term of the office: 2015-2017 (resolution of the Shareholders' meeting as of April 22<sup>nd</sup>, 2015)

<sup>(2)</sup> Term of the office: 2016-2018 (resolution of the Shareholders' meeting as of April 20<sup>th</sup>, 2016)

<sup>(3)</sup> Term of the office: 2012-2020 (resolution of the Shareholders' meeting as of April 19<sup>th</sup>, 2012)

## TOD'S Group

### TOD'S S.p.A.

Parent Company, owner of TOD'S, HOGAN and FAY brands and licensee of ROGER VIVIER brand

### Del.Com. S.r.l.

Sub-holding for operation of national subsidiaries and DOS in Italy

### TOD'S International B.V.

Sub-holding for operation of international subsidiaries and DOS in The Netherlands

### An.Del. Usa Inc.

Sub-holding for operation of subsidiaries in the United States

### Del.Pav S.r.l.

Company that operates DOS in Italy

### Filangieri 29 S.r.l.

Company that operates DOS in Italy

### Gen.del. SA

Company that operates DOS in Switzerland

### TOD'S Belgique S.p.r.l.

Company that operates DOS in Belgium

### TOD'S Deutschland GmbH

Company that distributes and promotes products in Germany and manages DOS in Germany

### TOD'S Espana SL

Company that manages DOS in Spain

### TOD'S France Sas

Company that operates DOS in France

### TOD'S Luxembourg S.A.

Not operating company

### TOD'S Japan KK

Company that operates DOS in Japan

### TOD'S Macao Ltd

Company that operates DOS in Macao

### TOD'S Hong Kong Ltd

Company that distributes and promotes products in Far East and South Pacific and manages DOS in Hong Kong. Sub-holding for operation of international subsidiaries in Asia

### TOD'S Korea Inc.

Company that distributes and promotes products in Korea and operates DOS in Korea

### TOD'S Retail India Private Ltd

Company that operates DOS in India

### TOD'S (Shanghai) Trading Co. Ltd

Company that operates DOS in China

### TOD'S Singapore Pte Ltd

Company that operates DOS in Singapore

### TOD'S UK Ltd

Company that operates DOS in Great Britain

### Webcover Ltd

Company that operates DOS in Great Britain

### Cal.Del. Usa Inc.

Company that operates DOS in California (USA)

### Deva Inc.

Company that distributes and promotes products in North America, and manages DOS in the State of NY (USA)

### Flor. Del. Usa Inc.

Company that operates DOS in Florida (USA)

### Hono. Del. Inc.

Company that operates DOS in Hawaii (USA)

### Il. Del. Usa Inc.

Company that operates DOS in Illinois (USA)

### Neva. Del. Inc.

Company that operates DOS in Nevada (USA)

### Or. Del. Usa Inc.

Company that operates DOS in California (USA)

### TOD'S Tex. Del. Usa Inc.

Company that operates DOS in Texas (USA)

### Holpaf B.V.

Real estate company that operates one DOS in Japan

### Alban.Del Sh.p.k.

Production company

### Sandel SA

Not operating company

### Un.Del. Kft

Production company

### Re.Se.Del. S.r.l.

Company for services

### TOD'S Brasil Ltda

Company that operates DOS in Brazil

### Roger Vivier S.p.A.

Company, owner of ROGER VIVIER brand and sub-holding for operation of international subsidiaries and DOS in Italy

### Roger Vivier Hong Kong Ltd

Company that distributes and promotes products in Far East and South Pacific and manages DOS in Hong Kong. Sub-holding for operation of subsidiaries in Asia

### Roger Vivier Singapore Pte Ltd

Company that operates DOS in Singapore

### Roger Vivier (Shanghai) Trading Co. Ltd

Company that operates DOS in China

### Roger Vivier UK Ltd

Company that operates DOS in Great Britain

### TOD'S Georgia Inc.

Company that operates DOS in Georgia (USA)

### Roger Vivier France Sas

Company that operates DOS in France

### Roger Vivier Korea Inc.

Company that operates DOS in Korea and that distributes and promotes products in Korea

### Roger Vivier Switzerland S.A.

Company that operates DOS in Switzerland

### Roger Vivier Macau Ltd.

Company that operates DOS in Macao

### Roger Vivier Japan KK

Company that operates DOS in Japan

### TOD'S Danmark APS

Company that operates DOS in Denmark

### TOD'S Austria GMBH

Company that operates DOS in Austria

### TOD'S Washington Inc.

Company that operates DOS in Washington (USA)

### Ala. Del. Inc.

Company that operates DOS in Delaware (USA)

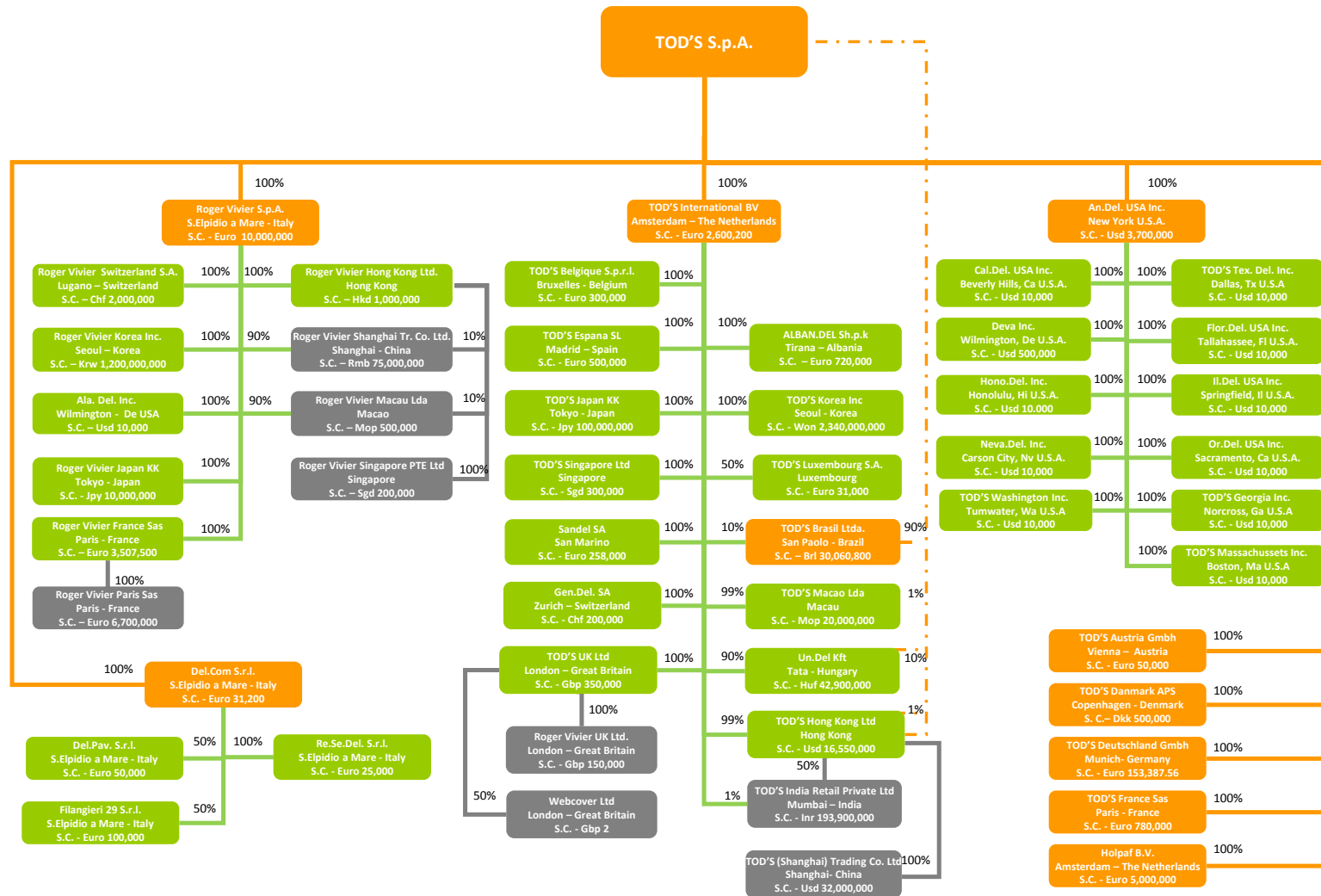
### TOD'S Massachussets Inc.

Company that operates DOS in Massachussets (USA)

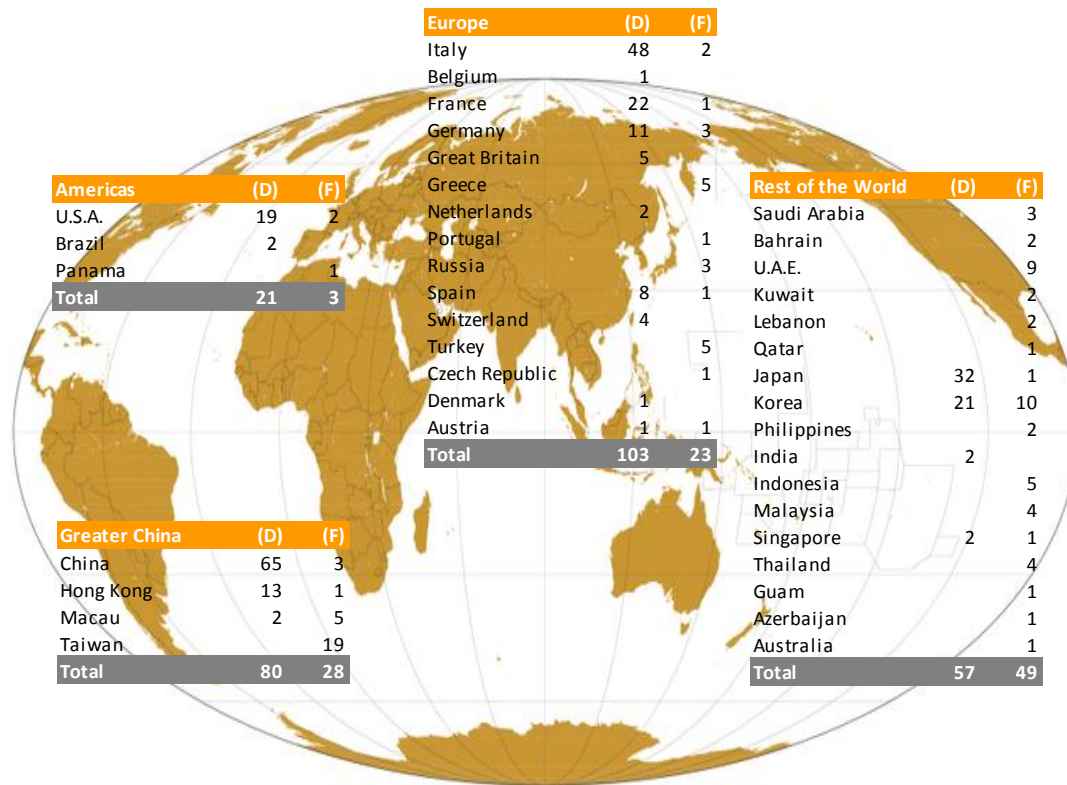
### Roger Vivier Paris Sas

Company that operates DOS in France

Group's organizational chart



Distribution network as of June 30<sup>th</sup>, 2016



(D)=DOS (F)=FRANCHISED STORES

DOS, 2016 new openings

Italy

Milan (Italy)  
Milan (Italy)  
Rome (Italy)

Europe

Paris (France)  
Madrid (Spain)  
Madrid (Spain)

Greater China

Hong Kong (Hong Kong)  
Xiamen (China)

Rest of the World

Seoul (Korea)  
Tokyo (Japan)

Franchised stores, 2016 new openings

Europe

Kampen (Germany)

Rest of the World

Istanbul (Turkey)  
Incheon (Korea)  
Abu Dhabi (U.A.E.)

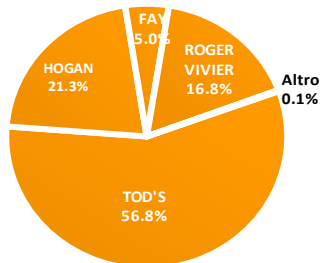
Greater China

Macau (Macau)  
Quingdao (China)

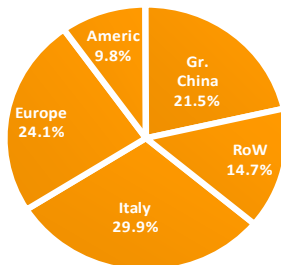
For a complete list of retail outlets operated by the DOS and franchising network, reference should be made to the corporate web site: [www.todsgroup.com](http://www.todsgroup.com).

## Key consolidated financial figures

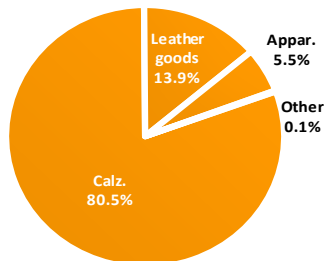
Revenue 2016 - % by Brand



Revenue 2016 - % by Region



Revenue 2016 - % by Product



P&L Key figures (euro millions)

|                       | H1 16      | H1 15       | H1 14       | H1 13       |
|-----------------------|------------|-------------|-------------|-------------|
| Sales revenue         | 497.6      | 515.3       | 477.7       | 491.2       |
| EBITDA                | 86.3 17.3% | 103.0 20.0% | 103.0 21.6% | 129.5 26.4% |
| EBIT                  | 62.0 12.5% | 77.5 15.0%  | 81.1 17.0%  | 108.2 22.0% |
| Profit before tax     | 54.2 10.9% | 74.0 14.4%  | 78.8 16.5%  | 106.8 21.7% |
| Profit for the period | 37.1 7.5%  | 49.9 9.7%   | 55.9 11.7%  | 75.7 15.4%  |

Main Balance Sheet indicators (euro millions)

|                                | 06.30.16 | 12.31.15 | 06.30.15 |
|--------------------------------|----------|----------|----------|
| Net Working Capital (*)        | 302.6    | 316.1    | 323.4    |
| Intangible and tangible assets | 837.8    | 417.3    | 422.5    |
| Shareholders' equity           | 1,042.1  | 866.1    | 816.6    |
| Net financial position         | (112.7)  | 134.2    | 73.1     |
| Capital expenditures           | 433.6    | 47.9     | 27.5     |

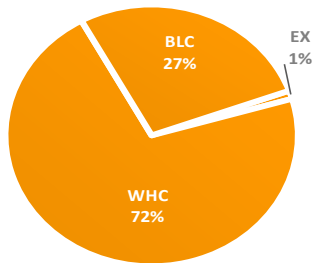
(\*) Trade receivable + inventories - trade payable

Financial key indicators (euro millions)

|                             | H1 2016 | FY 2015 | H1 2015 |
|-----------------------------|---------|---------|---------|
| Operating cash flow         | 96.7    | 138.3   | 39.2    |
| Net operating cash flow     | 65.0    | 107.7   | 28.7    |
| Cash flows generated/(used) | 50.1    | 49.1    | (8.2)   |



Employees 2016: composition



The Group's employees

|              | 06.30.16 | 12.31.15 | 06.30.15 | 06.30.14 |
|--------------|----------|----------|----------|----------|
| Year to date | 4,531    | 4,550    | 4,504    | 4,254    |

Key:  
EX = executives  
WHC = white collar employee  
BLC = blue collar employees

Main stock Market indicators (euro)

Share's price

|                                |       |
|--------------------------------|-------|
| Official price at 04.01.2016   | 71.20 |
| Official price at 06.30.2016   | 48.51 |
| Minimum price (January - June) | 47.06 |
| Maximum price (January - June) | 74.80 |

Market Capitalisation

|                                     |               |
|-------------------------------------|---------------|
| Market capitalization at 04.01.2016 | 2,179,389,351 |
| Market capitalization at 06.30.2016 | 1,605,263,663 |

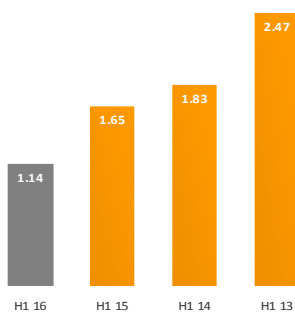
Dividend per share

|                         |      |
|-------------------------|------|
| Dividend per share 2015 | 2.00 |
| Dividend per share 2014 | 2.00 |

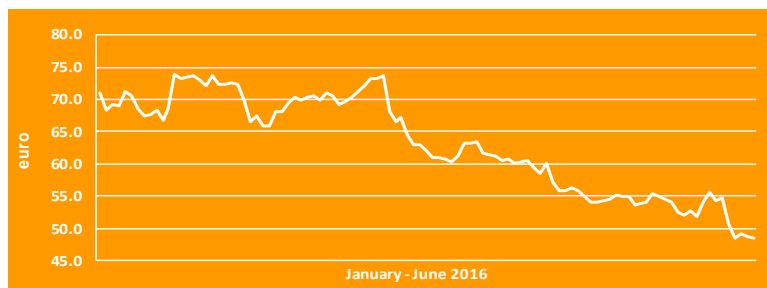
Ordinary shares

|  |            |
|--|------------|
| Number of outstanding shares at 06.30.2016 | 33,093,539 |
|--|------------|

Earning per share (euro)



Stock performance



## Highlights of results

**Revenues:** revenues totalled 497.6 million euros during the period (the average change in foreign exchange rates had a positive impact of 4.4 million euros). Sales by the DOS network totalled 311.2 million euros.

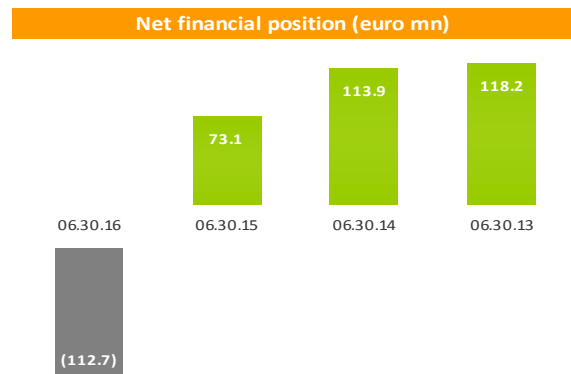
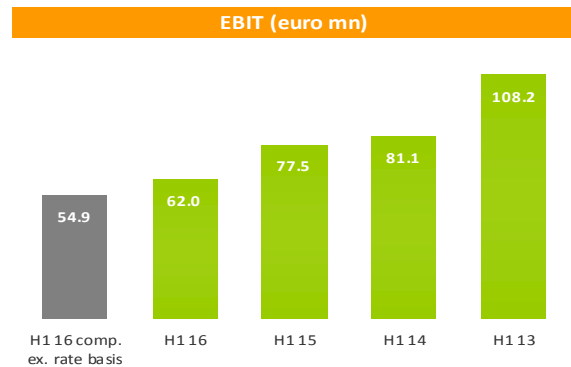
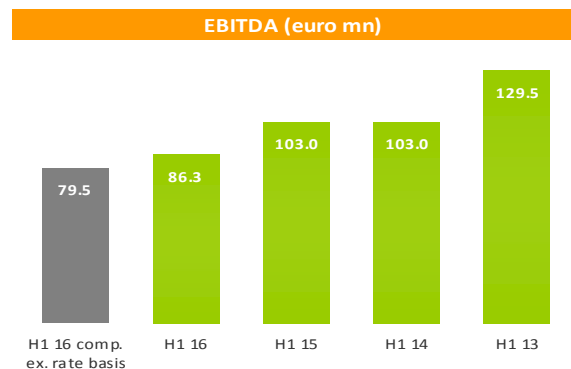
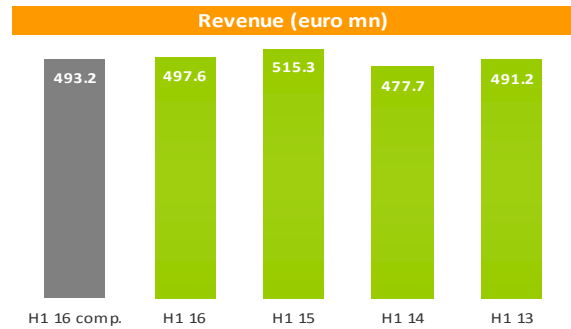
**EBITDA:** gross operating profit amounts to 86.3 million euros, (103 million euros at June 30<sup>th</sup>, 2015) and it was equivalent to 17.3% of sales. It amounts to 79.5 million euros on a comparable exchange rate basis.

**EBIT:** net operating profit totalled 62 million euros, (77.5 million euros at June 30<sup>th</sup>, 2015). When measured on a comparable exchange rate basis, EBIT totalled 54.9 million euros.

**Net financial position (NFP):** the Group had 271.4 million euros in liquid assets at June 30<sup>th</sup>, 2016. Its net financial position was negative for 112.7 million euros at the same date.

**Capital expenditures:** 433.6 million euros in capital expenditures were made in H1 2016 (including 415 million euros for the acquisition of ROGER VIVIER brand), while in H1 2015 amounted to 27.5 million euros.

**Distribution network:** at June 30<sup>th</sup>, 2016 the single brand distribution network comprised 261 DOS and 103 Franchised stores.



TOD'S

TOD'S Group

D'S

Interim Report

Group

## Group's activity

TOD'S Group operates in the luxury sector with its brands TOD'S, HOGAN, FAY and ROGER VIVIER, the latter managed under a licence agreement up to December 31<sup>st</sup>, 2015 and acquired at the beginning of the current year. The Group actively creates, produces and distributes shoes, leather goods and accessories, and apparel. The mission is to offer global customers top-quality products that satisfy their functional requirements and aspirations.

**Organizational structure of the Group.** Group's organisational configuration rotates around TOD'S S.p.A. that is at the heart of Group's organisation, its parent company that owns TOD'S, HOGAN and FAY brands, holds the licenses to the ROGER VIVIER, and manages Group's production and distribution. Moreover, at the beginning of the current year, the Group acquired, by fully controlled subsidiary, the ownership of the ROGER VIVIER brand, operated by the parent company TOD'S S.p.A..

Through a series of sub-holdings, the organisation is rounded out by a series of commercial companies that are delegated complete responsibility for retail distribution through the DOS network. Certain of them, strategically located on international markets, are assigned major roles in product distribution, marketing and promotion, and public relations processes along the "value chain", while simultaneously guaranteeing the uniform image that Group brands must have worldwide.

**Development of production.** Group's production structure is based on complete control of the production process, from creation of the collections to production and then distribution of the products. This approach is considered key to assuring the prestige of its brands.

Shoes and leather goods are produced in Group-owned plants, with partial outsourcing to specialized workshops. All of these outsourcers are located in areas with a strong tradition of shoe and leather good production. This preference reflects the fact that an extremely high standard of professional quality is required to make these items, with a significantly high level of added value contributed to the final product by manual work.

The Group relies exclusively on selected specialized outsourcers, which enables it to exploit their respective specializations in crafting the individual products sold as part of the apparel line.

**Distribution structure.** The prestige of Group's brands and the high degree of specialization necessary to offer the respective products to customers entails distribution through a network of similarly specialized stores. Accordingly, the Group relies principally on three channels: DOS (directly operated stores), franchised retail outlets, and a series of selected, independent multibrand stores. E-commerce channel, which was started some years ago, is getting more relevant.

Group's strategy is focused on development of the DOS and franchising networks, given that these channels offer greater control and more faithful transmission of the individual brands. It is also clear that, in particular market situations, distribution through independent multibrand stores is more efficient. This channel is also of key importance to the Group.

### Group's brands



The TOD'S brand is known for shoes and luxury leather goods, with styles that have become icons of modern living; TOD'S is known in the luxury goods sector as a symbol of the perfect combination of tradition, quality and modernity. Each product is hand-crafted with highly-skilled techniques, intended, after laborious reworking, to become an exclusive, recognisable, modern and practical object. Some styles, like the Driving Shoe and the D bag, are cherished by celebrities and ordinary people worldwide, and have become icons and forerunners of a new concept of elegance, for both women and men.



Begun in the 80s with shoe collections for women, men and children, the HOGAN brand now also crafts various leather goods items. The HOGAN brand is distinctive for high quality, functionality and design. Every product stems from a highly skilled design technique and is created using quality materials with a particular passion for details and a search for perfection. HOGAN products are the highest expression of a "new luxury" lifestyle. HOGAN is meant for someone who cherishes the type of luxury associated with product excellence, innovative original design and consummate practicality. The Traditional and the Interactive shoe styles endure as continuing "best sellers".



FAY is a brand created in the mid 80s with a product range of high quality casual wear. The brand is known for its quality craftsmanship, for the excellence of its materials, a meticulous attention to craft details and its high functionality without sacrificing style and quality. FAY products are

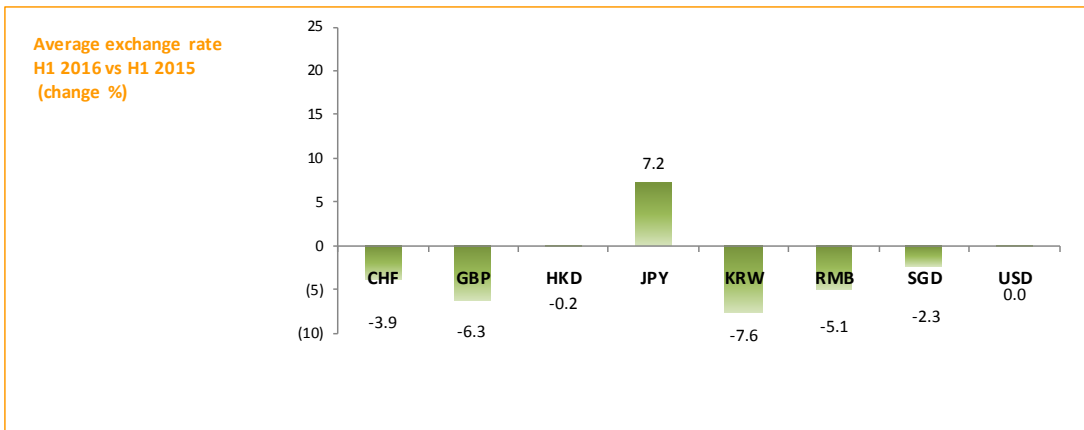
wearable everywhere: from the stadium to the office, in urban areas and in the countryside. The line, which has seasonal men's, women's and junior's collections, focuses on classic evergreen styles, continuously modified and refreshed with innovative and recognisably eye-catching design.



The Fabergé of shoes, and creator of the first stiletto heel in the 1950's, ROGER VIVIER designed extravagant and luxuriously decorated shoes that he described as being “sculptures.” The artistic heritage and excellent traditional roots of the VIVIER fashion house have been revived. Under the management of Creative Director Bruno Frisoni, VIVIER's work and vision endure and new chapters are added to this unique life story every year, which goes beyond expertise in the craft of shoe making to include handbags, small leather goods, jewellery and sunglasses.

**Foreign currency markets**

Average exchange rates for the first half of 2016, compared to figures for the same period of the previous year, show a broadly and light revaluation of the euro currency in respect to the currencies with which the Group operates. Japanese yen (JPY) represents an exception to this trend because it showed a revaluation against euro of about 7.2% in respect to the first half of year 2015.



### Main events and operations during the period

The macro-economic situation during the first six months of 2016 was once again characterised by geopolitical tensions and economic and social uncertainty, which continued, as already occurred in the previous year, to affect international markets, thus making them unstable and volatile. Furthermore, the global market of luxury goods continued to be affected by tourist flows of international shoppers that, in this context, suddenly changed their destination and propensity to buy.

Despite the difficult situation, TOD'S Group continues with the implementation of its business development strategies, investing considerable resources in support of long-term growth: in January the Group completed the acquisition of the ROGER VIVIER brand from the related company Gousson Consultadoria e Marketing S.r.l., which was previously managed under a licence agreement. This transaction has a high strategic value for TOD'S Group, given the positioning of the ROGER VIVIER brand on the top of the luxury sector and the consequent complementarity with the other brands of the Group, with a range of products (footwear, leather goods and accessories) targeted at the most sophisticated customers. The final acquisition of the brand has allowed the Group to eliminate the uncertainties arising from any licence agreement and to get full control over long-term planning and distribution strategies of the brand.

Within this transaction, the Group also acquired the entire share capital of Roger Vivier Paris Sas, the company that operates the ROGER VIVIER store located in Paris, at Rue du Faubourg Saint Honoré no. 29, the historical flagship store of the brand.

In order to finance these acquisitions, on January 25<sup>th</sup>, 2016 a final withdrawal was made in an amount of 300 million euros, in relation to the syndicated loan signed in 2014 with two major banks, together in pool.

Furthermore, the period saw a capital increase of 207.5 million euros, which had been resolved by the extraordinary Shareholders' Meeting of TOD'S S.p.A. held on January 13<sup>th</sup>, 2016, was reserved for and was fully subscribed and paid up by Gousson Consultadoria e Marketing S.r.l., which reinvested a portion of the purchase price in the Group, in accordance with the master agreement signed between the parties on November 22<sup>nd</sup>, 2015.

As regards the Group's business, the performance recorded during the first six months of 2016 was affected by the macroeconomic factors referred to above, reporting a decrease of 3.4%, in terms of revenues compared to the first six months of 2015, also considering the challenging basis for comparison.

The already mentioned ROGER VIVIER brand achieved positive results, showing an increase in all the geographical areas in which it is distributed, with the sole exception of the Americas, where consumptions, mainly in the USA, were strongly affected by a reduction in tourist flows, above all as regards Chinese customers.

A good performance was also recorded by the FAY brand within the scope of the international expansion strategy that had been started in the previous year, the encouraging results of which began to be reported. The brand's sales recorded an overall increase of 8.8%, also driven by the positive results achieved in the domestic market, where the brand has a strong presence.

As regards the investments for the period, in addition to the acquisition of the ROGER VIVIER brand, it's pointed out the resources dedicated to investments in the renovation of the existing stores, which are a vehicle for organic growth, and those dedicated to develop the DOS network, choosing selected locations in order to express the DNA of each brand.

As regards social responsibility, the Group continued with its Welfare project which, as part of the initiatives to provide economic support to the families of the Group's Italian employees, saw the confirmation, also for the current financial year, of both the annual contribution of 1,400 euros and the full refund of the cost incurred by its employees' families to buy school books, together with the renewal of a significant health care protection to the benefit of its employees and their families.

Again as regards social responsibility, the Shareholders' Meeting of the parent company TOD'S S.p.A. held on April 20<sup>th</sup>, 2016 renewed its support and resolved, as in previous financial years, to allocate 1% of the 2015 Group net profit, equal to about 0.9 million euros, to a specific reserve to be used by the delegated directors to pursue local solidarity projects.

### **Group's results in HY 2016**

Consolidated sales were 497.6 million euros in the first half of 2016, decreased by 3.4% from H1 2015. It was positive the effect deriving from variation in exchange rates: by using H1 2015 average exchange rates, sales would have been 493.2 million euros, 4.3% down compared with H1 2015 when sales were 515.3 million euros.

EBITDA and EBIT amounted to 86.3 and 62 million euros respectively, and represent 17.3% and 12.5% of consolidated revenues. By using H1 2015 average exchange rates, they would have been 79.5 and 54.9 million euros respectively, representing 16.1% and 11.1% of consolidated revenues.



| euro 000's |  |          |          |          |        |
|------------|--|----------|----------|----------|--------|
| FY 15      | Main economic indicators                   | H1 2016  | H1 2015  | Change   | %      |
| 1,036,959  | Sales revenue                              | 497,628  | 515,310  | (17,682) | (3.4)  |
| 202,618    | EBITDA                                     | 86,311   | 103,045  | (16,734) | (16.2) |
| (54,050)   | Amortiz., deprec. and write-downs          | (24,340) | (25,533) | 1,193    | (4.7)  |
| 148,567    | EBIT                                       | 61,970   | 77,512   | (15,541) | (20.1) |
| 137,270    | Profit before taxes                        | 54,238   | 74,048   | (19,810) | (26.8) |
| 92,088     | Profit for the period                      | 37,130   | 49,870   | (12,740) | (25.5) |
|            | Foreign exchange impact on revenues        | (4,448)  |          |          |        |
|            | Adjusted Sales revenues                    | 493,179  | 515,310  | (22,130) | (4.3)  |
|            | Foreign exchange impact on operating costs | (2,316)  |          |          |        |
|            | Adjusted EBITDA                            | 79,547   | 103,045  | (23,498) | (22.8) |
|            | Foreign exchange impact on deprec.&amort   | (279)    |          |          |        |
|            | Adjusted EBIT                              | 54,927   | 77,512   | (22,585) | (29.1) |
|            | EBITDA %                                   | 17.3     | 20.0     |          |        |
|            | EBIT %                                     | 12.5     | 15.0     |          |        |
|            | Adjusted EBITDA %                          | 16.1     | 20.0     |          |        |
|            | Adjusted EBIT %                            | 11.1     | 15.0     |          |        |
|            | Tax Rate %                                 | 31.5     | 32.6     |          |        |

Non recurring transactions during the period amounted to 0.8 million euros and they relate to both an economic indemnity of 25 million euros, collected within the acquisition of ROGER VIVIER brand transaction, and an extraordinary write-off of stock for 24.2 million euros, as a consequence of a redefinition of some distribution strategies. EBITDA and EBIT, net of such non-recurring transactions, would have been 85.5 and 61.2 million euros respectively for a ratio on sales revenue of 17.2% and 12.3% (at constant exchange rates they would have been 78.7 and 54.1 million euros respectively, for a ratio on sales revenue of 16% and 11%).

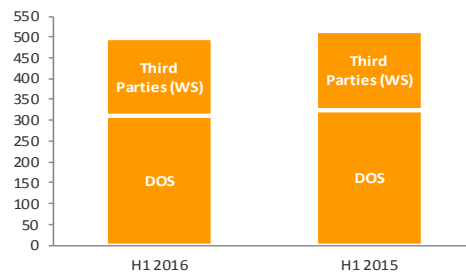
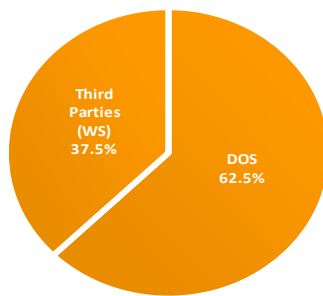
| euro 000's |                                  |           |          |           |
|------------|----------------------------------|-----------|----------|-----------|
| 06.30.15   | Main Balance Sheet indicators    | 06.30.16  | 12.31.15 | Change    |
| 323,394    | Net Working Capital (*)          | 302,564   | 316,085  | (13,521)  |
| 422,506    | Non-current assets               | 837,780   | 417,295  | 420,485   |
| (2,363)    | Other current assets/liabilities | 14,441    | (1,535)  | 15,976    |
| 743,537    | Invested capital                 | 1,154,786 | 731,845  | 422,941   |
| 73,079     | Net financial position           | (112,674) | 134,236  | (246,910) |
| 816,616    | Shareholders' equity             | 1,042,112 | 866,081  | 176,031   |
| 27,521     | Capital expenditures             | 433,619   | 47,928   | 385,691   |
| 28,653     | Net operating cash flow          | 65,044    | 107,656  | (42,612)  |
| (8,151)    | Cash flows generated/(used)      | 50,114    | 49,102   | 1,012     |

(\*) Trade receivable + inventories - trade payable

**Revenue** Consolidated sales were 497.6 million euros in the first half of 2016, down 3.4% from H1 2015. At constant exchange rates, meaning by using the average exchange rates of H1 2015, including the related effects of hedging contracts, sales would have been 493.2 million euros,

down 4.3% from last year. In the first half of 2016, sales through DOS totalled 311.2 million Euros, down 4.9% from the same period of 2015. The Same Store Sales Growth (SSSG) rate, calculated as the worldwide average

| (euro mn)          | H1 2016      | %            | H1 2015      | %            | % current<br>exch. rates | % constant<br>exch. rates |
|--------------------|--------------|--------------|--------------|--------------|--------------------------|---------------------------|
| DOS                | 311.2        | 62.5         | 327.1        | 63.5         | (4.9)                    | (5.7)                     |
| Third Parties (WS) | 186.4        | 37.5         | 188.2        | 36.5         | (1.0)                    | (1.9)                     |
| <b>Total</b>       | <b>497.6</b> | <b>100.0</b> | <b>515.3</b> | <b>100.0</b> | <b>(3.4)</b>             | <b>(4.3)</b>              |

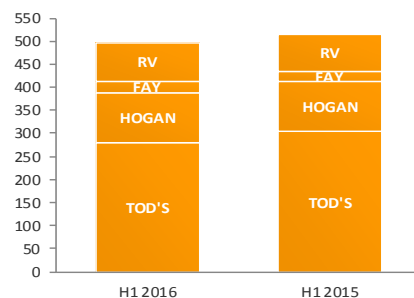
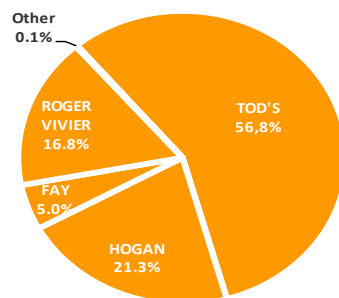


of sales growth rates at constant exchange rates registered by the DOS already existing as of January 1<sup>st</sup>, 2015, is -14.3% in the semester. This figure reflects the above commented weakness of consumption and the visible slowdown registered in the second quarter in some important markets for luxury goods. As of June 30<sup>th</sup>, 2016 the Group's distribution network was composed by 261 DOS and 103 franchised stores, compared to 251 DOS and 93 franchised stores as of June 30<sup>th</sup>, 2015. Revenues to third parties totalled 186.4 million Euros, slight lower than in the first six months of 2015.

Revenues for the TOD'S brand amounted to 282.5 million euros in the first half of 2016; the decrease in sales compared to last year, despite also the difficult comparison basis, was mainly

due to the sharp fall in purchases by tourists in Europe and the USA, and to the persistent weakness of the Greater China market. HOGAN sales were 106.1 million euros, down 2.5% from H1 2015, mainly due to the slowdown in

| (euro mn)    | H1 2016      | %            | H1 2015      | %            | % current<br>exch. rates | % constant<br>exch. rates |
|--------------|--------------|--------------|--------------|--------------|--------------------------|---------------------------|
| TOD'S        | 282.5        | 56.8         | 304.4        | 59.1         | (7.2)                    | (8.1)                     |
| HOGAN        | 106.1        | 21.3         | 108.8        | 21.1         | (2.5)                    | (2.8)                     |
| FAY          | 24.9         | 5.0          | 22.9         | 4.4          | 8.8                      | 8.8                       |
| ROGER VIVIER | 83.4         | 16.8         | 78.6         | 15.3         | 6.2                      | 4.5                       |
| Other        | 0.7          | 0.1          | 0.6          | 0.1          | n.s.                     | n.s.                      |
| <b>Total</b> | <b>497.6</b> | <b>100.0</b> | <b>515.3</b> | <b>100.0</b> | <b>(3.4)</b>             | <b>(4.3)</b>              |

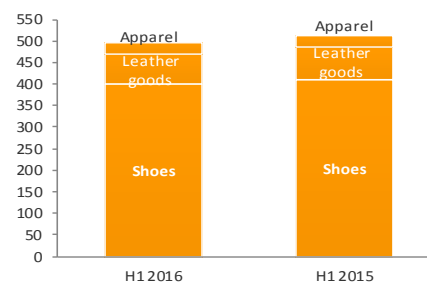


consumption registered in the second quarter in the Italian market, by tourists, but also by local clients; positive results in the other regions. Revenues for the FAY brand were 24.9 million euros, up 8.8% from H1 2015. All the geographical areas, where FAY is distributed, registered positive results; double-digit growth in the Asian markets, where, however, volumes are not very significant yet. Finally, ROGER VIVIER registered 83.4 million euros in sales, up 6.2% from H1 2015. The performance was positive in all geographic areas, except for the American market. The apparent slowdown in the second quarter growth rate was only due to the slightly different timing of deliveries between the quarters.

Revenues from shoes were 400.3 million euros, down 2.5% from H1 2015, also due to the very challenging comparison basis, linked to the different timing of deliveries. Sales of leather

goods and accessories totalled 69.3 million euros. The figure for the first half reflects the negative trend of a part of the TOD'S collection. Finally, sales of apparel were 27.3 million euros, up 3.7% from H1 2015.

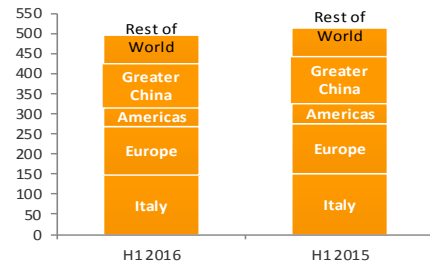
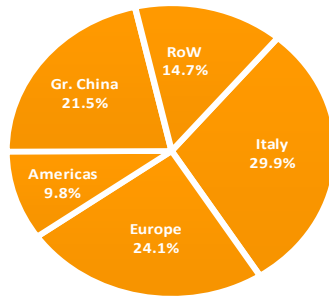
| (euro mn)     | H1 2016      | %            | H1 2015      | %            | % current<br>exch. rates | % constant<br>exch. rates |
|---------------|--------------|--------------|--------------|--------------|--------------------------|---------------------------|
| Shoes         | 400.3        | 80.5         | 410.7        | 79.7         | (2.5)                    | (3.4)                     |
| Leather goods | 69.3         | 13.9         | 77.6         | 15.1         | (10.7)                   | (12.0)                    |
| Apparel       | 27.3         | 5.5          | 26.4         | 5.1          | 3.7                      | 3.6                       |
| Other         | 0.7          | 0.1          | 0.6          | 0.1          | n.s.                     | n.s.                      |
| <b>Total</b>  | <b>497.6</b> | <b>100.0</b> | <b>515.3</b> | <b>100.0</b> | <b>(3.4)</b>             | <b>(4.3)</b>              |



In the first half of 2016, domestic sales were 148.8 million euros. The 2.7% decrease from H1 2015 is mainly due to the already commented performance of the HOGAN brand. In the rest of Europe, the Group's revenues totalled 120.1 million euros, down 1.7% from H1 2015, mainly due to the sharp slowdown in consumption, especially of tourists, registered in the second quarter for the entire sector, in addition to a very challenging comparison basis (+22% in Q2 2015). In line with the industry, the weakest countries were France and UK, which are the ones with the higher exposure to tourist flows. In the Americas sales totalled 48.7 million euros, down 6.0% from H1 2015. As already commented for Europe, this decrease reflects the sharp slowdown in consumption registered in the second quarter of the year. The Group's revenues in Greater China totalled 107 million euros.

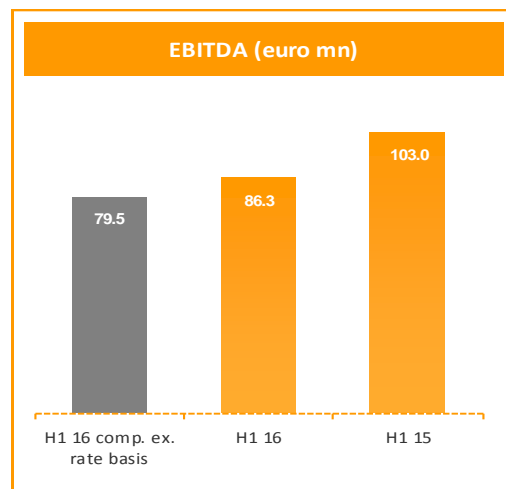
The 9.5% decrease is mainly due to the weakness in Hong Kong; sales in mainland China, which represents slightly more than half of this region, were slightly negative. Finally, in the area "Rest of the World" the Group's

| (euro mn)     | H1 2016      | %            | H1 2015      | %            | % current<br>exch. rates | % constant<br>exch. rates |
|---------------|--------------|--------------|--------------|--------------|--------------------------|---------------------------|
| Italy         | 148.8        | 29.9         | 152.9        | 29.7         | (2.7)                    | (2.7)                     |
| Europe        | 120.1        | 24.1         | 122.2        | 23.7         | (1.7)                    | (2.0)                     |
| Americas      | 48.7         | 9.8          | 51.9         | 10.1         | (6.0)                    | (8.6)                     |
| Greater China | 107.0        | 21.5         | 118.2        | 22.9         | (9.5)                    | (11.7)                    |
| Rest of World | 73.0         | 14.7         | 70.1         | 13.6         | 4.1                      | 3.9                       |
| <b>Total</b>  | <b>497.6</b> | <b>100.0</b> | <b>515.3</b> | <b>100.0</b> | <b>(3.4)</b>             | <b>(4.3)</b>              |



sales were 73 million euros, up 4.1% from H1 2015, mainly driven by Korea.

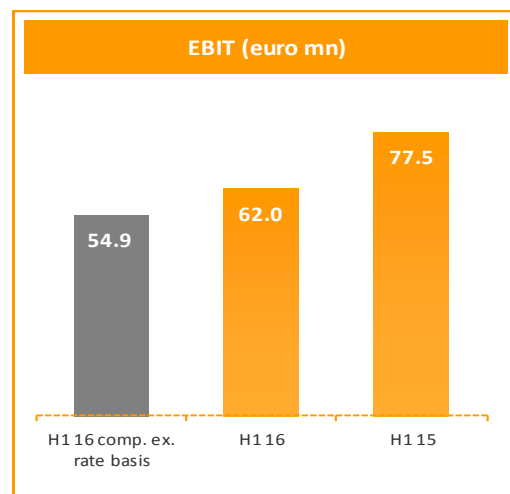
**Operating results.** EBITDA in H1 2016 totalled 86.3 million euros (103 million euros in H1 2015) and it is equivalent to 17.3% of consolidated revenue (H1 2015: 20%). EBITDA at constant exchange rate amounted to 79.5 million euros, representing 16.1% of consolidated revenues. EBITDA takes advantage of the first results achieved with costs rationalization and containment plan, started by the Group during the year, and it is impacted by the small reduction of profitability at a gross margin level, mainly caused by a different product mix, geographical area mix and distribution channel mix. The Gross margin guarantees anyway a good profitability, which confirms the result of the well-established position



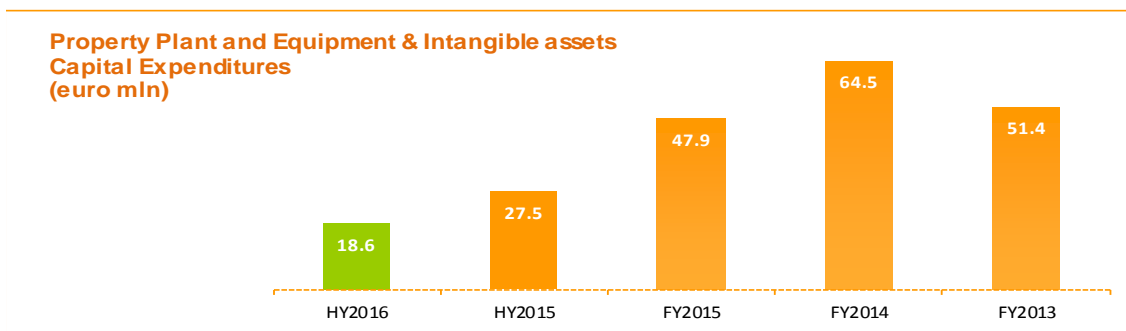
of the Group brands at the high end of the luxury brands sector. With reference to the distribution channel, it's pointed out the increase of the indirect channel sales weight which benefited also of the franchising network expansion occurred during the current half year. Lease and rental expenses (leases of locations and royalties for use of licensed brands) totalled 59.8 million euros at June 30<sup>th</sup>, 2016 (63.1 million euros at June 30<sup>th</sup>, 2015) with a ratio on sales revenue changing from 12.2% in H1 2015 to 12% in H1 2016. The decrease of royalties expenses, as a consequence of the acquisition of ROGER VIVIER brand, has been partially offset by

the increase of rents related to the direct distribution, as a natural consequence of the DOS network expansion (the increase in the number of DOS recorded in the period from July 2015 to June 2016 was equal to 10). Increased the personnel costs which totalled 94.9 million euros in the first half of year 2016, compared with 91.4 million euros in the first six months of the previous year. The change is mainly connected with the increase in headcount (mainly due to the expansion of the direct distribution network) and the strengthening of corporate operating functions. At June 30<sup>th</sup>, 2016, employee costs equalled 19.1% of Group revenue, as compared with 17.7% in the first six months of 2015.

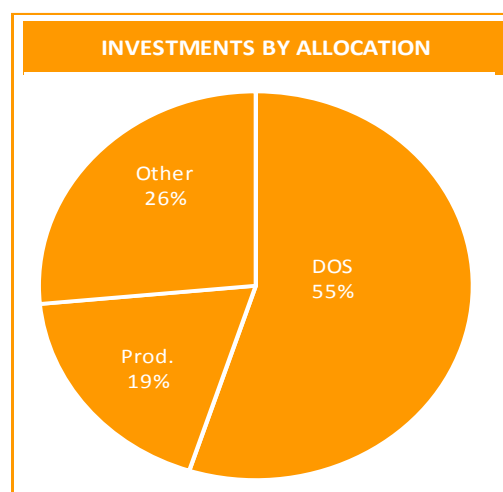
The costs for depreciation, amortization and impairment is in line with previous period and it amounted to 23.4 in H1 2016 (23.5 million euros in H1 2015); the ratio on revenue is 4.7% (substantially unchanged in respect to the first half of 2015 when it was 4.6%). Net of additional operating provisions of 0.9 million euros, EBIT in H1 2016 totalled 62 million euros (77.5 million euros at June 30<sup>th</sup>, 2015), representing 12.5% of consolidated revenues (15% at June 30<sup>th</sup>, 2015). At June 30<sup>th</sup>, 2016, consolidated net profit was equal to 37.1 million euros, against 49.9 million euros at June 30<sup>th</sup> of the previous year. At June 30<sup>th</sup> net profit represents the 7.5% of sales revenues (9.7% for the first six months of 2015). Income taxes for the period (including the effects of deferred taxes) totalling 17.1 million euros, for a tax rate of 31.5%, decreased in respect to the first half 2015 when it was 32.6%.



**Capital expenditures.** Capital expenditure in H1 2016, net of the price paid for the ROGER VIVIER brand acquisition for 415 million euros, totalled 18.6 million euros, while they were 27.5 million euros at June 30<sup>th</sup>, 2015.



Capital expenditures during the period for the DOS network totalled about 10.2 million euro (15.6 million euros in the first half 2015), primarily used for both new DOS openings and for renovation activities of the existing stores, among which the most relevant is the activity done at the flagship store in London at Bond Street which was even subject to an important expansion of sales surface. The remaining investment quota in the period regarded not only the normal processes of modernising the structures and industrial equipment (mainly lasts and moulds) but also the development of the company management software.



**Net financial position (NFP).** At June 30<sup>th</sup>, 2016, net financial position was negative for 112.7 million euros (positive for 134.2 million euros and for 73.1 million euros at December 31<sup>st</sup> and June 30<sup>th</sup>, 2015 respectively), including liquid assets (cash and bank deposits) for 271.4 million euros, and liabilities for 384.1 million euros, of which 310.9 million euros for long-term exposures.

| Net financial position (euro 000's)      |   |                  |                 |                  |
|--|---|------------------|-----------------|------------------|
| 06.30.15                                 |   | 06.30.16         | 12.31.15        | Change           |
| <b>Current financial assets</b>          |   |                  |                 |                  |
| 159,434                                  | Cash and cash equivalents                   | 271,373          | 217,801         | 53,572           |
| <b>159,434</b>                           | <b>Cash</b>                                 | <b>271,373</b>   | <b>217,801</b>  | <b>53,572</b>    |
| <b>Current financial liabilities</b>     |   |                  |                 |                  |
| (12,592)                                 | Current account overdrafts                  | (17,195)         | (13,737)        | (3,458)          |
| (9,872)                                  | Current share of medium-long term financing | (55,968)         | (10,084)        | (45,883)         |
| <b>(22,464)</b>                          | <b>Current financial liabilities</b>        | <b>(73,163)</b>  | <b>(23,822)</b> | <b>(49,341)</b>  |
| <b>136,970</b>                           | <b>Current net financial position</b>       | <b>198,210</b>   | <b>193,979</b>  | <b>4,231</b>     |
| <b>Non-current financial liabilities</b> |   |                  |                 |                  |
| (63,891)                                 | Financing                                   | (310,884)        | (59,743)        | (251,141)        |
| <b>(63,891)</b>                          | <b>Non-current financial liabilities</b>    | <b>(310,884)</b> | <b>(59,743)</b> | <b>(251,141)</b> |
| <b>73,079</b>                            | <b>Net financial position</b>               | <b>(112,674)</b> | <b>134,236</b>  | <b>(246,910)</b> |

Net financial position is impacted by the financial liability related to the syndicated loan entered during 2014 with Mediobanca and Crédite Agricole, drawn on January 2016 for 300 million euros, for the completion of the acquisition of ROGER VIVIER brand. It is pointed out that without the effects related to the ROGER VIVIER brand transaction, and gross of dividends paid during the

half year, net financial position would have been about 153.3 million euros (+19.1 million euros in respect to the beginning of the year).

| euro 000's  |                  |                 |
|---|------------------|-----------------|
| Statement of cash flows   | H1 2016          | H1 2015         |
| <b>Net Cash and cash equivalents at the beginning of the period</b> | <b>204,063</b>   | <b>154,961</b>  |
| Cash flows from operating activities                                | 96,657           | 39,243          |
| Interests and taxes collected/(paid)                                | (31,613)         | (10,590)        |
| <b>Net cash flows from operating activities</b>                     | <b>65,044</b>    | <b>28,653</b>   |
| <b>Cash flow generated (used) in investing activities</b>           | <b>(450,716)</b> | <b>(26,647)</b> |
| <b>Cash flow generated (used) in financing activities</b>           | <b>435,909</b>   | <b>(13,854)</b> |
| Translation differences   | (123)            | 3,697           |
| <b>Net Cash and cash equivalents at the end of the period</b>       | <b>254,178</b>   | <b>146,810</b>  |

The operating activities for the period generated cash for 96.7 million euros (39.2 million euros in H1 2015). Net of non-recurring transactions, it would have been 71.7 million euros, increased by 32.5 million euros in respect to the previous period. This positive trend is connected to a prudent working capital management. Net of payments for corporate taxes and interests, net operating cash flow amounted to 65 million euros (28.7 million euros in H1 2015). Cash flows from investment and financing activities are mainly impacted by the cash flows related to the acquisition of ROGER VIVIER brand. Cash flows from investment activities include, among others, the distribution of dividends occurred during the period for 66.2 million euros

#### Items or transactions resulting from unusual and/or exceptional transactions

There were no items or transactions resulting from unusual and/or exceptional transactions during the first half.

#### Significant events occurred after the reporting period

No significant event occurred after the end of the period.

#### Business Outlook

Half year sales results were affected by the industry environment and the volatile and uncertain markets. The negative impact on margins of the organic growth of the stores was partially offset by cost containment and rationalization plan, that will continue to yield results in the coming months. As for the future, Group strategy will be focused more and more in the world of high-quality products, footwear, handbags and small leather goods *in primis*, noting more and more the values that have made famous Group brands, as the craftsmanship, the Italian way of life and the strong innovation. Communication strategy will be even stronger, to enhance these values, with particular attention paid to digital. As for the development of the store network, the

*focus* will be pointed out on the organic growth, jointly with a cautious management of new openings in only special locations. Consumer feedback on the collections currently in stores is good and, if the market will be stable, it will allow us to achieve defined targets. For the future, the Group management is confident that the strategic plan prepared is going in the right direction and will allow to obtain good results within the next year.

Milan, September 14<sup>th</sup>, 2016

The Chairman of the Board of Directors  
Diego Della Valle



TOD'S

TOD'S Group

D'S

2016 Half Year Condensed Financial Statements

Group

## Consolidated Income Statement

| euro 000's  | H1 16            | H1 15            | FY 15            |
|---|------------------|------------------|------------------|
| <b>Revenue</b>  |                  |                  |                  |
| Sales revenue   | 497,628          | 515,310          | 1,036,959        |
| Other income (1)  | 30,030           | 4,959            | 11,437           |
| <b>Total revenue and income</b>                                   | <b>527,658</b>   | <b>520,269</b>   | <b>1,048,396</b> |
| <b>Operating Costs</b>  |                  |                  |                  |
| Change in inventories of work in progress and finished goods (2)  | (23,071)         | 30,987           | 32,901           |
| Cost of raw materials, supplies and materials for consumption (2) | (129,274)        | (151,026)        | (287,443)        |
| Costs for services  | (117,191)        | (125,545)        | (246,759)        |
| Costs of use of third party assets                                | (59,827)         | (63,106)         | (128,414)        |
| Personnel costs   | (94,906)         | (91,422)         | (183,302)        |
| Other operating charges   | (17,080)         | (17,112)         | (32,761)         |
| <b>Total operating costs</b>                                      | <b>(441,347)</b> | <b>(417,224)</b> | <b>(845,778)</b> |
| <b>EBITDA</b>   | <b>86,311</b>    | <b>103,045</b>   | <b>202,618</b>   |
| <b>Amortisation, depreciation and write-downs</b>                 |                  |                  |                  |
| Amortisation of intangible assets                                 | (4,491)          | (4,271)          | (8,910)          |
| Depreciation of tangible assets                                   | (18,934)         | (19,060)         | (39,323)         |
| Other adjustment  |                  | (204)            | (2,997)          |
| <b>Total amortisation, depreciation and write-downs</b>           | <b>(23,425)</b>  | <b>(23,535)</b>  | <b>(51,230)</b>  |
| Provisions  | (916)            | (1,998)          | (2,820)          |
| <b>EBIT</b>   | <b>61,970</b>    | <b>77,512</b>    | <b>148,567</b>   |
| <b>Financial income and expenses</b>                              |                  |                  |                  |
| Financial income  | 10,700           | 19,920           | 29,267           |
| Financial expenses  | (18,432)         | (23,384)         | (40,564)         |
| <b>Total financial income (expenses)</b>                          | <b>(7,732)</b>   | <b>(3,464)</b>   | <b>(11,297)</b>  |
| Income (losses) from equity investments                           |                  |                  |                  |
| <b>Profit before taxes</b>  | <b>54,238</b>    | <b>74,048</b>    | <b>137,270</b>   |
| Income taxes (3)  | (17,108)         | (24,177)         | (45,182)         |
| <b>Profit/(loss) for the period</b>                               | <b>37,130</b>    | <b>49,870</b>    | <b>92,088</b>    |
| Non-controlling interests   | 305              | 508              | 647              |
| <b>Profit/(loss) of the Group</b>                                 | <b>37,435</b>    | <b>50,379</b>    | <b>92,735</b>    |
| EPS in (euro)   | 1.14             | 1.65             | 3.03             |
| EPS diluted in (euro)   | 1.14             | 1.65             | 3.03             |

<sup>(1)</sup> Of which non-recurring for 25 million euros (Notes 17 and 18).

<sup>(2)</sup> Of which non-recurring for -24.2 million euros (Note 18).

<sup>(3)</sup> Of which non-recurring for -0.3 million euros (Note 18).

## Consolidated Statement of Comprehensive Income

| euro 000's  | H1 16         | H1 15         |
|---|---------------|---------------|
| <b>Profit (loss) for the period (A)</b>   | <b>37,130</b> | <b>49,870</b> |
| <b>Other comprehensive income that will be reclassified subsequently to profit and loss:</b>              |               |               |
| Gain/(Losses) on derivative financial instruments (cash flow hedge)                                       | 3,651         | 3,161         |
| Gain/(Losses) on currency translation of foreign subsidiaries   | 3,945         | 10,291        |
| <b>Total other comprehensive income that will be reclassified subsequently to profit and loss (B)</b>     | <b>7,596</b>  | <b>13,452</b> |
| <b>Other comprehensive income that will not be reclassified subsequently to profit and loss:</b>          |               |               |
| Cumulated actuarial gains/(losses) on defined benefit plans   |               |               |
| <b>Total other comprehensive income that will not be reclassified subsequently to profit and loss (C)</b> |               |               |
| <b>Total Comprehensive Income (A) + (B) + (C)</b>   | <b>44,726</b> | <b>63,323</b> |
| Of which:   |               |               |
| Attributable to Shareholders of the Parent company  | 45,129        | 63,753        |
| Attributable to non-controlling interests   | (403)         | (430)         |

## Consolidated Statement of Financial Position

| euro 000's                             | Note | 06.30.16         | 12.31.15         | 06.30.15         |
|--|------|------------------|------------------|------------------|
| <b>Non current assets</b>              |      |                  |                  |                  |
| <i>Intangible fixed assets</i>         |      |                  |                  |                  |
| Assets with indefinite useful life (1) | 9    | 565,352          | 149,466          | 149,466          |
| Key money                              | 9    | 16,872           | 14,938           | 15,941           |
| Other intangible assets                | 9    | 26,568           | 26,387           | 26,470           |
| <b>Total Intangible fixed assets</b>   |      | <b>608,793</b>   | <b>190,792</b>   | <b>191,878</b>   |
| <i>Tangible fixed assets</i>           |      |                  |                  |                  |
| Buildings and land                     | 9    | 119,349          | 110,928          | 107,546          |
| Plant and machinery                    | 9    | 12,986           | 13,206           | 12,509           |
| Equipment                              | 9    | 12,937           | 14,258           | 15,362           |
| Leasehold improvement                  | 9    | 43,413           | 45,573           | 46,765           |
| Others                                 | 9    | 40,303           | 42,538           | 48,446           |
| <b>Total Tangible fixed assets</b>     |      | <b>228,988</b>   | <b>226,504</b>   | <b>230,628</b>   |
| <i>Other assets</i>                    |      |                  |                  |                  |
| Investment properties                  |      | 27               | 29               | 30               |
| Equity investments                     |      | 20               | 20               | 20               |
| Deferred tax assets                    |      | 58,623           | 51,220           | 53,032           |
| Others                                 |      | 21,014           | 19,997           | 20,718           |
| <b>Total others assets</b>             |      | <b>79,683</b>    | <b>71,265</b>    | <b>73,800</b>    |
| <b>Total non current assets</b>        |      | <b>917,463</b>   | <b>488,560</b>   | <b>496,306</b>   |
| <b>Current assets</b>                  |      |                  |                  |                  |
| Inventories                            |      | 330,148          | 347,445          | 357,346          |
| Trade receivables                      |      | 106,554          | 111,521          | 112,569          |
| Tax receivables                        |      | 15,258           | 17,637           | 23,227           |
| Derivative financial instruments       | 10   | 5,747            | 1,688            | 925              |
| Others                                 |      | 33,797           | 34,297           | 39,505           |
| Cash and cash equivalents              | 16   | 271,373          | 217,801          | 159,434          |
| <b>Total current assets</b>            |      | <b>762,877</b>   | <b>730,388</b>   | <b>693,006</b>   |
| <b>Total assets</b>                    |      | <b>1,680,340</b> | <b>1,218,948</b> | <b>1,189,312</b> |

*To be continued*

<sup>(1)</sup>This figure includes, for 415 million euros, the amount of ROGER VIVIER brand acquired through a related party transaction occurred on January 2016 (Note 17).

| euro 000's<br>(continuing)                                    | Note | 06.30.16         | 12.31.15         | 06.30.15         |
|---|------|------------------|------------------|------------------|
| <b>Equity</b>   |      |                  |                  |                  |
| Share capital   | 11   | 66,187           | 61,219           | 61,219           |
| Capital reserves  |      | 416,588          | 214,055          | 214,055          |
| Hedging and translation                                       |      | 20,324           | 12,630           | 4,627            |
| Retained earnings   |      | 498,056          | 481,392          | 481,787          |
| Profit/(loss) attributable to the Group                       |      | 37,435           | 92,735           | 50,379           |
| <b>Total Equity attributable to the Group</b>                 |      | <b>1,038,589</b> | <b>862,032</b>   | <b>812,068</b>   |
| <b>Non-controlling interest</b>                               |      |                  |                  |                  |
| Share capital and reserves                                    |      | 3,827            | 4,696            | 5,057            |
| Profit/(loss) attributable to non-controlling interests       |      | (305)            | (647)            | (508)            |
| <b>Total Equity attributable to non-controlling interests</b> |      | <b>3,522</b>     | <b>4,048</b>     | <b>4,549</b>     |
| <b>Total Equity</b>   |      | <b>1,042,112</b> | <b>866,081</b>   | <b>816,616</b>   |
| <b>Non-current liabilities</b>                                |      |                  |                  |                  |
| Provisions for risks  | 14   | 5,745            | 5,485            | 4,552            |
| Deferred tax liabilities                                      |      | 24,353           | 27,922           | 29,249           |
| Employee benefits   | 15   | 12,664           | 12,315           | 12,687           |
| Derivative financial instruments                              | 10   | 6,255            | 8,598            | 4,763            |
| Bank borrowings   | 16   | 310,884          | 59,743           | 63,891           |
| Others  |      | 17,124           | 16,612           | 16,508           |
| <b>Total non-current liabilities</b>                          |      | <b>377,025</b>   | <b>130,675</b>   | <b>131,650</b>   |
| <b>Current liabilities</b>                                    |      |                  |                  |                  |
| Trade payables  |      | 134,138          | 142,881          | 146,521          |
| Tax payables  |      | 5,923            | 14,082           | 15,314           |
| Derivative financial instruments                              | 10   | 6,049            | 3,125            | 11,173           |
| Others  |      | 41,930           | 38,283           | 45,574           |
| Bank  | 16   | 73,163           | 23,822           | 22,464           |
| <b>Total current liabilities</b>                              |      | <b>261,203</b>   | <b>222,192</b>   | <b>241,046</b>   |
| <b>Total Equity and liabilities</b>                           |      | <b>1,680,340</b> | <b>1,218,948</b> | <b>1,189,312</b> |

## Consolidated Statement of Cash Flows

| euro 000's  | Note | Jan. - Jun. 16   | Jan. - Jun. 15  |
|---|------|------------------|-----------------|
| <b>Profit/(Loss) for the period</b>   |      | <b>37,130</b>    | <b>49,870</b>   |
| <b>Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:</b> |      |                  |                 |
| Amortizat., deprec., revaluat., and write-downs   |      | 50,573           | 24,947          |
| Other non monetary expenses/(income)  |      | 1,392            | 4,172           |
| Income taxes for the period   |      | 17,108           | 24,177          |
| <b>Changes in operating assets and liabilities:</b>   |      |                  |                 |
| Trade receivables   |      | 4,861            | (13,291)        |
| Inventories   |      | (5,885)          | (31,709)        |
| Tax receivables and tax payables  |      | (298)            | (5,095)         |
| Trade payables  |      | (11,721)         | (13,700)        |
| Other assets and liabilities  |      | 3,147            | (234)           |
| Change in reserve for employee  |      | 349              | 106             |
| <b>Cash flows from operating activities</b>   |      | <b>96,657</b>    | <b>39,243</b>   |
| Interests (paid)/collected  |      | (959)            | (372)           |
| Income taxes (paid)/refunded  |      | (30,654)         | (10,218)        |
| <b>Net cash flows from operating activities (A)</b>   |      | <b>65,044</b>    | <b>28,653</b>   |
| Net investments in intangible and tangible assets   | 9    | (18,419)         | (26,647)        |
| Acquisition of Roger Vivier brand   | 9    | (415,000)        |                 |
| Acquisition of Roger Vivier Paris Sas net of cash and cash equivalents                                    | 6    | (17,297)         |                 |
| Other changes in fixed assets   |      |                  |                 |
| <b>Cash flows generated (used) in investing activities (B)</b>  |      | <b>(450,716)</b> | <b>(26,647)</b> |
| Dividends paid  | 13   | (66,187)         | (61,319)        |
| Capital increase  | 11   | 207,500          |                 |
| Others change in Equity   |      | (247)            | 2               |
| Repayments of financial liabilities   | 16   | (5,157)          | (2,538)         |
| Proceeds from financial liabilities   | 16   | 300,000          | 50,000          |
| <b>Cash flows generated (used) in financing (C)</b>   |      | <b>435,909</b>   | <b>(13,854)</b> |
| Translation differences (D)   |      | (123)            | 3,697           |
| <b>Cash flows from continuing operations (E)=(A)+(B)+(C)+(D)</b>  |      | <b>50,114</b>    | <b>(8,151)</b>  |
| Cash flow from assets held for sale (F)   |      |                  |                 |
| <b>Cash flows generated (used) (G)=(E)+(F)</b>  |      | <b>50,114</b>    | <b>(8,151)</b>  |
| Net cash and cash equivalents at the beginning of the period  |      | 204,063          | 154,961         |
| Net cash and cash equivalents at the end of the period  |      | 254,178          | 146,810         |
| <b>Change in net cash and cash equivalents</b>  |      | <b>50,114</b>    | <b>(8,151)</b>  |

*It is pointed out that, in order to improve the cash flows presentation for the period, starting from the current financial statements, some changes and reclassifications have been done on the statement of cash flows adopted by the Group (Note 2 of the Supplementary Notes). As a consequence, only for comparison purposes, the statement of cash flows at June 30<sup>th</sup>, 2015 has been reinstated in accordance with the new classification.*

### Consolidated Statement of Changes in Equity

| January - June 2016               | euro 000's | Share capital | Capital reserves | Hedging and reserve for translation | Retained earnings | Group interests  | Non-controlling interests | Total            |
|-----------------------------------|------------|---------------|------------------|-------------------------------------|-------------------|------------------|---------------------------|------------------|
| <b>Balances as of 01.01.16</b>    |            | <b>61,219</b> | <b>214,055</b>   | <b>12,630</b>                       | <b>574,127</b>    | <b>862,032</b>   | <b>4,048</b>              | <b>866,081</b>   |
| Profit & Loss account             |            |               |                  |                                     | 37,435            | 37,435           | (305)                     | 37,130           |
| Direct in Equity                  |            |               |                  | 7,694                               |                   | 7,694            | (98)                      | 7,596            |
| <b>Total Comprehensive Income</b> |            |               |                  | <b>7,694</b>                        | <b>37,435</b>     | <b>45,129</b>    | <b>(403)</b>              | <b>44,726</b>    |
| Dividend paid                     |            |               |                  |                                     | (66,187)          | (66,187)         |                           | (66,187)         |
| Capital increase                  |            | 4,968         | 202,532          |                                     |                   | 207,500          |                           | 207,500          |
| Share based payments              |            |               |                  |                                     |                   |                  |                           |                  |
| Other (1)                         |            |               |                  |                                     | (9,884)           | (9,884)          | (124)                     | (10,008)         |
| <b>Balances as of 06.30.16</b>    |            | <b>66,187</b> | <b>416,588</b>   | <b>20,324</b>                       | <b>535,491</b>    | <b>1,038,589</b> | <b>3,522</b>              | <b>1,042,112</b> |

| January - June 2015               | euro 000's | Share capital | Capital reserves | Hedging and reserve for translation | Retained earnings | Group interests | Non-controlling interests | Total          |
|-----------------------------------|------------|---------------|------------------|-------------------------------------|-------------------|-----------------|---------------------------|----------------|
| <b>Balances as of 01.01.15</b>    |            | <b>61,219</b> | <b>214,055</b>   | <b>(8,747)</b>                      | <b>543,003</b>    | <b>809,531</b>  | <b>5,078</b>              | <b>814,609</b> |
| Profit & Loss account             |            |               |                  |                                     | 50,379            | 50,379          | (508)                     | 49,870         |
| Direct in Equity                  |            |               |                  | 13,374                              |                   | 13,374          | 78                        | 13,452         |
| <b>Total Comprehensive Income</b> |            |               |                  | <b>13,374</b>                       | <b>50,379</b>     | <b>63,753</b>   | <b>(430)</b>              | <b>63,323</b>  |
| Dividend paid                     |            |               |                  |                                     | (61,219)          | (61,219)        | (100)                     | (61,319)       |
| Capital increase                  |            |               |                  |                                     |                   |                 |                           |                |
| Share based payments              |            |               |                  |                                     |                   |                 |                           |                |
| Other                             |            |               |                  |                                     | 2                 | 2               |                           | 2              |
| <b>Balances as of 06.30.15</b>    |            | <b>61,219</b> | <b>214,055</b>   | <b>4,627</b>                        | <b>532,166</b>    | <b>812,068</b>  | <b>4,549</b>              | <b>816,616</b> |

<sup>(1)</sup> They include the difference between the purchase price and the net asset related to the company Roger Vivier Sas, amounting to 9.8 million euros (Note 6).

TODI

TOD'S Group

2016 Half Year **Condensed Financial Statements**  
Supplementary notes  
D'S Group



## 1. General notes

TOD'S Group operates in the luxury sector under its proprietary brands (TOD'S, HOGAN, FAY and ROGER VIVIER). It actively creates, produces and distributes shoes, leather goods and accessories, and apparel. The mission is to offer global customers top-quality products that satisfy their functional requirements and aspirations.

The parent company TOD'S S.p.A., with legal residence in Sant'Elpidio a Mare (Fermo) in via Filippo Della Valle 1, is listed in the Mercato telematico Azionario (MTA market) of Borsa Italiana S.p.A..

At June 30<sup>th</sup>, 2016 the 50.291% of share capital of TOD'S S.p.A. is owned by DI.VI. FINANZIARIA DI DIEGO DELLA VALLE & C. S.r.l..

The half-year condensed financial statements at June 30<sup>th</sup>, 2016 was approved by the Board of Directors of TOD'S S.p.A. on September 14<sup>th</sup>, 2016, when its publication was authorized. It was audited (limited review) by the independent auditor PricewaterhouseCoopers S.p.A..

## 2. Basis of preparation

The half-year Financial Report, which includes the half-year condensed financial statements of TOD'S Group at June 30<sup>th</sup>, 2016, has been prepared in accordance with Article 154 ter (2, 3 and 4) of the Consolidated Law on Financial Intermediation ("TUF"), introduced by Legislative Decree 195/2007 in implementation of Directive 2004/109/EC (the "Transparency" directive) as amended by Legislative Decree 25/2016 in implementation of Directive 2013/50/UE. The half-year condensed financial statements complies with IAS 34 – Interim Financial Reporting, adopted according to the procedure envisaged in Article 6 of EC Regulation no. 1606/2002. Consequently, it does not include all the information required for the annual report and must be read together with the annual report prepared for the financial year at December 31<sup>st</sup>, 2015.

The half-year condensed financial statements include the half-year condensed financial statements of TOD'S S.p.A. and its Italian and foreign subsidiaries, together identified as TOD'S Group, drafted with the reference date of June 30<sup>th</sup>, 2016 (January 1st – June 30th).

The half-year condensed financial statements (profit and loss account, comprehensive income, Consolidated Statement of Financial position, Consolidated Statement of Cash Flows, and Consolidated statement of changes in equity) were drafted in the long form and are the same as those used for the consolidated financial statements at December 31<sup>st</sup>, 2015, with the only exception related to the statement of cash flows which, starting from the current financial statements, has been modified and reclassified. In detail, in order to improve the representation of cash flows for the period, the following adjustments have been done: i) corporate taxes paid/reimbursed and financial interests paid/collected have been presented separately (IAS 7, par. 35) in the appropriate section of operating cash flow, ii) non-current assets, mainly related

to security deposits, have been reclassified from investing activities to operating activities, iii) repayments and proceeds from financial liabilities have been presented separately in the financing section of the statement of cash flows, previously presented as a net variation.

As envisaged in IAS 34, the notes to the financial statements were drafted in summary form and refer only to the components of the profit and loss account, Statement of Financial position, and Statement of Cash Flows, whose composition or change in amount or nature was significant. Thus, they illustrate additional information for accurate comprehension of Group's financial position at June 30<sup>th</sup>, 2016.

Following art. 3 of Consob resolution n.18079 dated 20 January 2012 we inform you that the Company adopt the waiver provided by art. 70 (8) and art. 71 (1-bis) of Consob regulation n. 11971/99 (and following modifications and integrations) in regard to the documents made available to the public at the registered office and concerning mergers, demergers, capital increases, acquisitions and disposals. If it proves necessary or appropriate to amend items in the half-year Financial Report as a result of the application of a new accounting standard, a change in the nature of a transaction or an accounts review, in order to provide reliable and more relevant information for the users of the half-year Financial Report, the comparative data will be reclassified accordingly in order to improve the comparability of the information between one financial year and another. In this case, if the changes are significant, they will be suitably disclosed in the notes to the half-year Financial Report.

### 3. Accounting standards

The accounting standards and principles of consolidation applied to the preparation of these Condensed Consolidated Half-year Financial Statements are consistent with those applied to the preparation of the Consolidated Financial Statements at December 31<sup>st</sup>, 2015, except for the new standards or interpretations endorsed by the European Union and applicable from January 1<sup>st</sup>, 2016.

**Accounting standards, amendments and interpretations endorsed by the European Union, which will be applicable from January 1<sup>st</sup>, 2016 and which were first adopted in the TOD'S Group's Condensed Consolidated Half-Year Financial Statements at June 30<sup>th</sup>, 2016.**

- Amendments to IAS 27: Equity Method in Separate Financial Statements. These amendments, which were published in August 2014 and were approved by the European Union in December 2015, allow the equity method to be used in the preparation of separate financial statements, in addition to other methods (cost method, IFRS 9/IAS 39) set out to account for investments in

subsidiaries, associates and joint ventures. The application of these amendments has had no impact on the Group.

- Amendments to IAS 1: Disclosure Initiative. These amendments, which were published in December 2014, provide a set of clarifications on the concepts of relevance and aggregation, the methods of presentation of partial results in addition to those required by IAS 1, the structure of the notes and the disclosures on significant accounting policies. As these amendments only concern the presentation, they have had no impact on the Group's financial position and profitability.

- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations. These amendments, which were published in May 2014, are aimed at clarifying the accounting treatment to be applied to the acquisitions of interests in a Joint operation that constitutes a business. They require the application of IFRS 3 set out for business combinations. Specifically, upon the acquisition of a joint operation, the investor is required to measure any acquired assets and liabilities at their related fair value, to calculate final acquisition-related costs, to define the deferred tax impact arising from a reallocation of the price paid on the acquired items and, finally, to identify any possible goodwill as a residual element arising from the exercise of the purchase price allocation described above. The application of these amendments has had no impact on the Group.

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation. These amendments, which were published in May 2014, are aimed at clarifying that a revenue-based method of depreciation and amortisation is not considered to be appropriate as it only reflects the flow of revenues generated from the asset concerned and does not consider the manner of production of the economic benefits embodied in the asset itself. The application of these amendments has had no impact on the Group.

- Amendments to IAS 16 and IAS 41: Bearer Plants. These amendments, which were published in June 2014, are aimed at changing the method of measurement of the assets consisting of bearer plants, such as, for example, grape vines, rubber trees and oil palms. These assets are currently accounted for on the basis of the fair value model required by IAS 41, which was initially applicable to all biological assets, while the amendments provide that these assets should be accounted for in the same way as property, plant and equipment. The plantations, in fact, are treated as other production assets or plants. The application of these amendments has had no impact on the Group.

- Annual Improvements to IFRSs: 2012-2014 Cycle - This document, which was published in September 2014 and was approved by the European Union in December 2015, is aimed at adopting the amendments to the standards within the annual improvements process. The main amendments involve the IAS/IFRS and the issues reported below: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Changes in methods of disposal or changes in a plan for distribution to owners; IFRS 7 Financial Instruments: Disclosures – Continuing involvement; IFRS 1 First-time Adoption of IFRS – Disclosures about Financial Instruments; IAS 19 Employee Benefits – Actuarial Gains and Losses: discount rate; IAS 34 Interim Financial Reporting – Disclosure of information elsewhere in the interim financial report. The application of these amendments has had no significant impact on the Group.

**Accounting standards, amendments and interpretations published by the IASB but not yet endorsed by the European Union and not adopted in the preparation of these financial statements.**

- IFRS 14 – Regulatory Deferral Accounts. On January 30<sup>th</sup>, 2014 the IASB published the document as the first step in the wider Rate-regulated activities project, which was started by the IASB in September 2012. IFRS 14 allows entities, but only those which are first-time adopters of IFRS, to continue to recognise the amounts of assets/liabilities subject to rate regulation according to the accounting standards previously adopted. In order to enhance comparability with entities that already apply IFRS and do not recognise these amounts separately, the standard requires the effect of rate-regulated activities to be presented separately from other items in the statement of financial position, the income statement and the statement of comprehensive income. The IASB expects to adopt it from 2016. The European Union will not endorse this standard.

- IFRS 15 – Revenue from Contracts with Customers. On May 28<sup>th</sup>, 2014 the IASB published a document which requires an entity to recognise revenue at the time the control of goods or services is transferred to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services. The new revenue recognition model sets out a process in five steps. The new standard also requires additional disclosures regarding the nature, amount, timing and uncertainty of the revenue and cash flows arising from these contracts with customers. The IASB expects to adopt it from 2018. On April 12<sup>th</sup>, 2016 the IASB published amendments to the standard: Clarifications to IFRS 15 Revenue from Contracts with Customers, which are also applicable as from January 1<sup>st</sup>, 2018. These amendments are aimed at clarifying the procedures to identify an entity as a “Principal” or as an “Agent” and to establish whether revenues from licences must be deferred throughout the term thereof.

Based on a preliminary analysis, the future adoption of this standard should not have any significant impact on the Group's financial statements.

- IFRS 9 – Financial Instruments. On July 24<sup>th</sup>, 2014 the IASB published the final document constituting the conclusion of the process, divided into three phases: Classification and Measurement, Impairment and General Hedge Accounting, entirely revising IAS 39. The document introduces new requirements for classifying and measuring financial assets and liabilities. Specifically, as regards financial assets, the new standard adopts a single approach based on how the financial instruments are managed and on the contractual cash flow characteristics of the financial assets themselves in order to determine the related valuation method, aiming at eventually replacing the various rules laid down under IAS 39. As regards financial liabilities, the main amendment concerns the method of accounting for fair value changes in a financial liability designated as at fair value through profit or loss, which are due to own credit of the financial liability itself. According to the new standard, these changes must be recognised in other comprehensive income, without affecting profit or loss. The main developments relating to hedge accounting are:

- Changes in the type of transactions that qualify for hedge accounting; specifically, a more extensive range of risks has been introduced for non-financial assets/liabilities that qualify for hedge accounting;
- A change in the method of accounting for forward contracts and options included in a hedge accounting relationship, in order to reduce profit or loss volatility;
- Changes in the effectiveness test by replacing the current methods based on the 80-125% range with the principle of the “economic relationship” between the hedged item and the hedging instrument; furthermore, entities are no longer required to perform an assessment of the retrospective effectiveness of the hedging relationship;
- A greater flexibility of the accounting methods is offset by improved disclosures on the risk management activities carried out by entities.

The new document includes a single model for the impairment of financial assets based on expected losses.

The IASB expects to adopt it from 2018. Based on a preliminary analysis, the future adoption of this standard should not have any significant impact on the Group's financial statements.

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Asset between an Investor and its Associate or Joint Venture (issued on 11 September 2014). The document is aimed at resolving a conflict existing between the provisions laid down under IFRS 10 and those under IAS 28 in the event that an investor sells or contributes a business to an entity from among its associates or joint ventures, providing for the full recognition of any capital gain or loss arising from the loss

of control at the time of the sale or contribution of the business, or for a partial recognition in the event that only single assets are involved. On December 17<sup>th</sup>, 2015 the IASB postponed the adoption to a date to be set.

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (issued on December 18<sup>th</sup>, 2014). The document provides for the investment companies that meet the definition set out in the standard to be exempted from the obligation to present the consolidated financial statements and to be required to measure their investees according to the fair value method set out under IFRS 9. Based on a preliminary analysis, the future adoption of these standards should not have any significant impact on the Group's financial statements. The IASB expected to adopt them from 2016, but these amendments had not yet been endorsed by the European Union as at the date of preparation of this half-year report.

- IFRS 16: Leases: In January 2016 the IASB published a document for the initial recognition, measurement, presentation and disclosure of lease agreements for both the parties to a contract, aimed at replacing IAS 17 Leasing. The document is not applicable to service contracts but only to lease agreements or to the leasing components of other contracts. The standard defines the lease as an agreement that transfers the right of use of an asset to the customer (lessee) for a certain period of time and in exchange for a consideration, eliminates the classification based on finance and operating leases and introduces a single accounting method that provides for the recognition of assets and liabilities for all the leases with a term of more than 12 months and the separate recognition of amortisation, depreciation and interest expense through profit or loss. As regards the lessor, no significant changes were made to the accounting method with respect to the provisions that are currently set out under IAS 17. The IASB expects to adopt it from 2019. Taking account of the recent approval of the document, no analysis has yet been carried out in relation to the impact on the Company and the Group.

- Amendments to IAS 12: Income taxes. These amendments, which were published by the IASB on January 19<sup>th</sup>, 2016, clarify how to account for deferred tax assets relating to debt instruments measured at fair value. The IASB expects to adopt them from January 1<sup>st</sup>, 2017. Based on a preliminary analysis, the future adoption of this standard should not have any significant impact on the Group's financial statements.

- Amendments to IAS 7: Statement of Cash Flows. These amendments, which were issued by the IASB on January 29<sup>th</sup>, 2016, require information to be provided in the financial statements about changes in financial liabilities, aimed at improving the disclosures provided to investors in order to help them to better understand the changes recorded in said payables. The IASB expects to

adopt them from January 1<sup>st</sup>, 2017. Based on a preliminary analysis, the future adoption of this standard should not have any significant impact on the Group's financial statements.

- Amendments to IFRS 2: Classification and measurement of share-based payment transactions (Amendments to IFRS 2), published by the IASB on June 20<sup>th</sup>, 2016. The document contains some clarifications on how to account the effects of the vesting conditions in case of cash-settled share-based payments, on the classification of the share-based payments in case of net settlement and on the accounting of the modifications to terms and conditions of a share-based payment causing changes in the classification from cash-settle to equity-settled. The amendments will be applicable starting from January 1<sup>st</sup> 2018. Based on a preliminary analysis, the future adoption of this standard should not have any significant impact on the Group's financial statements.

The standards listed in this paragraph are not applicable as they have not been endorsed by the European Union, which, during the process of endorsement, could adopt these standards only partially or could not adopt them at all. On the other hand, from a first preliminary review it results that a future adoption of the new standards should have no significant impact on the Group's consolidated financial statements.

**Estimates and assumptions.** Preparation of the financial figures reported on the half-year condensed financial statements entails making estimates and assumptions based on the management's best valuation. Estimates and assumptions are reviewed regularly. If these estimates and assumptions should change in future from the actual circumstances, they will obviously be modified for the period in which those circumstances changed.

Specifically with regard to determination of eventual impairment losses affecting fixed assets, complete tests are performed only when the annual report is prepared, when all information as might be necessary are available, unless there are indications that require immediate valuation of eventual impairment losses or the occurrence of events that required reiteration of the procedure. The analyses carried out at this reporting date have not revealed any impairment indicators.

**Presentation of financial statements drafted in foreign currency.** The rates applied for translation of the financial statements of subsidiaries using a functional currency other than the currency used for consolidation, are illustrated in the following table and compared with those used in the previous period:

|                  | Giu. 2016                          | Jan. - Jun. 2016      | Dic. 2015                          | Jan. - Jun. 2015      |
|------------------|------------------------------------|-----------------------|------------------------------------|-----------------------|
|                  | Exch. rates as of<br>end of period | Average exch.<br>rate | Exch. rates as of<br>end of period | Average exch.<br>rate |
| U.S. dollar      | 1.110                              | 1.115                 | 1.089                              | 1.115                 |
| British pound    | 0.827                              | 0.778                 | 0.734                              | 0.732                 |
| Swiss franc      | 1.087                              | 1.096                 | 1.084                              | 1.055                 |
| Hong Kong dollar | 8.614                              | 8.663                 | 8.438                              | 8.644                 |
| Japanese yen     | 114.050                            | 124.383               | 131.070                            | 134.046               |
| Hungarian forint | 317.060                            | 312.687               | 315.980                            | 307.307               |
| Singapor dollar  | 1.496                              | 1.540                 | 1.542                              | 1.505                 |
| Korean won       | 1,278.480                          | 1,318.485             | 1,280.780                          | 1,225.897             |
| Macao pataca     | 8.873                              | 8.926                 | 8.692                              | 8.904                 |
| Chinese renminbi | 7.376                              | 7.292                 | 7.061                              | 6.935                 |
| Indian rupee     | 74.960                             | 74.960                | 72.022                             | 70.055                |
| Albanian lek     | 137.367                            | 138.181               | 137.020                            | 140.373               |
| Brazilian real   | 3.590                              | 4.124                 | 4.312                              | 3.299                 |

#### 4. Seasonal or cyclical nature of interim transactions

TOD'S Group engages in a business that, despite the effects related to monthly differences in the flows of revenues and costs generated by its industrial activity over the course of the year, it does not manifest significant seasonal or cyclical changes in overall annual sales.

#### 5. Alternative indicators of performances

In order to strip the effects of changes in exchange rates from the average values of the first six months of 2016 from the results for the six months of 2015, the typical economic indicators (Revenues, EBITDA, EBIT) have been recalculated by applying the average exchange rates for the six months of 2015, thereby rendering them fully comparable with those of the previous period.

These criteria for measuring business performance must not be considered alternative to those established by IFRS.

Furthermore – as it has already been mentioned in the preceding paragraph, the Group's cash flow is uneven from quarter to quarter, largely on account of its industrial activity. Consequently, the analysis of interim results and financial statement indicators (EBITDA, EBIT, financial position and working capital) cannot be considered fully representative, and it would thus be improper to consider the indicators for the reference period to be in proportion to the results for the entire financial year.



## 6. Scope of consolidation

The scope of consolidation at June 30<sup>th</sup>, 2016 changed in respect to June 30<sup>th</sup>, 2015 due to the incorporation of the following companies: Ala. Del. Inc. incorporated on July 2<sup>nd</sup>, 2015 and 100% owned by Roger Vivier S.p.A., TOD'S Massachussets Inc. incorporated on March 16<sup>th</sup>, 2016 and 100% owned by An.Del. USA Inc. and, following the acquisition occurred last January 2016, Roger Paris Sas 100% owned by Roger vivier France Sas. Every company quoted above operates DOS for the Group.

In respect to December 31<sup>st</sup>, 2015 the scope of consolidation changed due to the incorporation of TOD'S Massachussets Inc. incorporated on March 16<sup>th</sup>, 2016 and 100% owned by An.Del. USA Inc. and, following the acquisition occurred last January 2016, Roger Paris Sas 100% owned by Roger vivier France Sas.

Concerning the latter, due to the fact that such acquisition was a related party transaction under common control (Note 17), the consolidation of the acquired net assets has been done at book values, so, the difference between the purchase price, for 20 million euros, and net assets book value, for 10.2 million euros, have been represented as a reduction of equity reserves for 9.8 million euros. It's pointed out that, with no significant effects on consolidation, Roger Vivier Paris sas has been consolidated on January 1<sup>st</sup>, 2016 as the acquisition had been done in such a date.

| Net assets acquired from Roger Vivier Paris sas | euro<br>thousand |
|---|------------------|
| Tangible and intangible assets                  | 3,560            |
| Other non current assets                        | 239              |
| Net working capital                             | 883              |
| Other assets and liabilities                    | 2,854            |
| Cash and cash equivalents                       | 2,703            |
| <b>Total net assets acquired</b>                | <b>(10,239)</b>  |
| <b>Purchase price</b>                           | <b>20,000</b>    |
| <b>Impact on equity reserves</b>                | <b>(9,761)</b>   |

It is assumed that the Group controls those companies in which it does not own more than 50% of the capital, and thus disposes of the same percentage of voting power at the Shareholders' Meeting, where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, as defined by IFRS 10 – Consolidated Financial Statements.

The following list illustrates the entire consolidation scope at June 30<sup>th</sup>, 2016:

**Parent Company**

**TOD'S S.p.A.**  
 S.Elpidio a Mare - Italy  
 Share Capital (S.C.) - euro 66,187,078

**Direct Subsidiaries**

|  |  |  |   |
|--|--|--|---|
| <b>TOD'S Deutsch. Gmbh</b><br>Dusseldorf - Germany<br>S.C. - euro 153,387.56<br>% held: 100% | <b>TOD'S France Sas</b><br>Paris - France<br>S.C. - euro 780,000<br>% held: 100%       | <b>An.Del. USA Inc.</b><br>New York - U.S.A<br>S.C. - Usd 3,700,000<br>% held: 100%      | <b>TOD'S International BV</b><br>Amsterdam – Netherlands<br>S.C. - euro 2,600,200<br>% held: 100% |
| <b>Del.Com S.r.l.</b><br>S.Elpidio a Mare - Italy<br>S.C. - euro 31,200<br>% held: 100%      | <b>Holpaf B.V.</b><br>Amsterdam – Netherlands<br>S.C. - euro 5,000,000<br>% held: 100% | <b>TOD'S Brasil Ltda</b><br>San Paolo – Brasil<br>S.C. – Real 30,060,800<br>% held: 100% | <b>Roger Vivier S.p.A.</b><br>S.Elpidio a Mare – Italy<br>S.C. – euro 10,000,000<br>% held: 100%  |
| <b>TOD'S Danmark APS</b><br>Copenhagen - Denmark<br>S.C. – Dkk 500,000<br>% held: 100%       | <b>TOD'S Austria Gmbh</b><br>Vienna - Austria<br>S.C. – euro 50,000<br>% held: 100%    |  |   |

**Indirect subsidiaries**

|   |  |   |  |
|---|--|---|--|
| <b>Cal.Del. USA Inc.</b><br>Beverly Hills, Ca - U.S.A.<br>S.C. - Usd 10,000<br>% held: 100%   | <b>TOD'S Tex Del USA Inc.</b><br>Dallas, Tx - U.S.A<br>S.C. - Usd 10,000<br>% held: 100% | <b>Deva Inc.</b><br>Wilmington, De – U.S.A.<br>S.C. - Usd 500,000<br>% held: 100%               | <b>Flor.Del. USA Inc.</b><br>Tallahassee, Fl - U.S.A.<br>S.C. - Usd 10,000<br>% held: 100%     |
| <b>Hono.Del. Inc.</b><br>Honolulu, Hi - U.S.A.<br>S.C. - Usd 10,000<br>% held: 100%           | <b>Il.Del. USA Inc.</b><br>Springfield, Il - U.S.A.<br>S.C. - Usd 10,000<br>% held: 100% | <b>Neva.Del. Inc.</b><br>Carson City, Nv - U.S.A.<br>S.C. - Usd 10,000<br>% held: 100%          | <b>Or.Del. USA Inc.</b><br>Sacramento, Ca - U.S.A.<br>S.C. - Usd 10,000<br>% held: 100%        |
| <b>Gen.Del SA</b><br>Zurich - Switzerland<br>S.C. - Chf 200,000<br>% held: 100%               | <b>Sandel SA</b><br>San Marino<br>S.C. - euro 258,000<br>% held: 100%                    | <b>TOD'S Belgique S.p.r.l.</b><br>Bruxelles - Belgium<br>S.C. - euro 300,000<br>% held: 100%    | <b>TOD'S Espana SL</b><br>Madrid – Spain<br>S.C. - euro 500,000<br>% held: 100%                |
| <b>TOD'S Hong Kong Ltd</b><br>Hong Kong<br>S.C. - Usd 16,550,000<br>% held: 100%              | <b>TOD'S Japan KK</b><br>Tokyo - Japan<br>S.C. - Jpy 100,000,000<br>% held: 100%         | <b>Alban.Del Sh.p.k.</b><br>Tirana - Albania<br>S.C. - euro 720,000<br>% held: 100%             | <b>TOD'S India Retail Pte Ltd</b><br>Mumbai - India<br>S.C. - Inr 193,900,000<br>% held: 100%  |
| <b>TOD'S Singapore Pte Ltd</b><br>Singapore<br>S.C. - Sgd 300,000<br>% held: 100%             | <b>Un.Del Kft</b><br>Tata - Hungary<br>S.C. - Huf 42,900,000<br>% held: 100%             | <b>TOD'S UK Ltd</b><br>London - Great Britain<br>S.C. - Gbp 350,000.00<br>% held: 100%          | <b>Webcover Ltd</b><br>London - Great Britain<br>S.C.- Gbp 2<br>% held: 50%                    |
| <b>TOD'S Luxembourg SA</b><br>Luxembourg<br>S.C. - euro 31,000.00<br>% held: 50%              | <b>TOD'S Korea Inc.</b><br>Seoul - Korea<br>S.C. - Won 2,340,000,000<br>% held: 100%     | <b>TOD'S Macao Ltd</b><br>Macao<br>S.C. - Mop 20,000,000<br>% held: 100%                        | <b>TOD'S (Shanghai) Tr.Co.Ltd</b><br>Shanghai - China<br>S.C. - Usd 32,000,000<br>% held: 100% |
| <b>Re.Se.Del. S.r.l.</b><br>S.Elpidio a Mare - Italy<br>S.C. - euro 25,000.00<br>% held: 100% | <b>Del.Pav. S.r.l.</b><br>S.Elpidio a Mare - Italy<br>S.C. - euro 50,000<br>% held: 50%  | <b>Filangieri 29 S.r.l.</b><br>S.Elpidio a Mare - Italy<br>S.C. - euro 100,000<br>% held: 50%   | <b>Roger Vivier Japan KK</b><br>Tokyo – Japan<br>S.C. – Jpy 10,000,000<br>% held: 100%         |
| <b>Roger Vivier Hong Kong Ltd</b><br>Hong Kong<br>S.C. – Hkd 1,000,000<br>% held: 100%        | <b>Roger Vivier Sing. PTE Ltd</b><br>Singapore<br>S.C. – Sgd 200,000<br>% held: 100%     | <b>Roger Vivier (Shan.) Tr.Co.</b><br>Shanghai – China<br>S.C. – Rmb 75,000,000<br>% held: 100% | <b>Roger Vivier UK Ltd</b><br>London – Great Britain<br>S.C. – Gbp 150,000<br>% held: 100%     |

### Indirect subsidiaries

|  |  |   |   |
|--|--|---|---|
| <b>TOD'S Georgia Inc.</b><br>Norcross, GA – USA<br>S.C. – Usd 10,000<br>% held: 100%     | <b>Roger Vivier France SaS</b><br>Paris – France<br>S.C. – euro 3,507,500<br>% held: 100%  | <b>Roger Vivier Korea Inc.</b><br>Seoul – Korea<br>S.C. – Won 1,200,000,000<br>% held: 100% | <b>Roger Vivier Switzerland</b><br>Lugano – Switzerland<br>S.C. – Chf 2,000,000<br>% held: 100% |
| <b>Roger Vivier Macau Lda</b><br>Macau<br>S.C. – Mop 500,000<br>% held: 100%             | <b>TOD'S Washington Inc.</b><br>Tumwater, Wa – U.S.A.<br>S.C. – Usd 10,000<br>% held: 100% | <b>Ala. Del. Inc.</b><br>Wilmington, De – U.S.A.<br>S.C. – Usd 10,000<br>% held: 100%       | <b>TOD'S Massachussets</b><br>Boston, Ma – USA<br>S.C. – Usd 10,000<br>% held: 100%             |
| <b>Roger Vivier Paris Sas</b><br>Paris – France<br>S.C. – euro 6,700,000<br>% held: 100% |  |   |   |

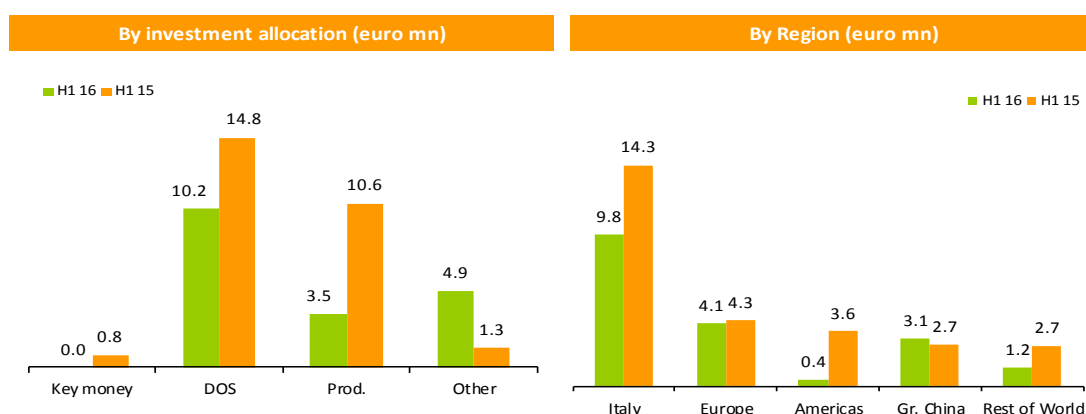
## 7. Segment reporting

The search for higher levels of operating efficiency has identified as key element for maximising profitability via the sharing of a significant portion of service activities (first and foremost production), both at the central and peripheral levels; on the contrary, aggressive segmentation of the business appears uneconomical, under current circumstances.

At the operating level, the Group's organisation is based on an articulated matrix structure according to the different functions/activities in the value chain, alternatively according to brand, product, channel and geographical area. The overall organisation envisages a unified strategic vision of the business.

This type of organisation is reflected in the ways in which management monitors and strategically focuses the Group's activities. The economic disclosure set out in the Interim Report includes operating information, including a break-down of consolidated revenues by BRAND, CHANNEL, PRODUCT TYPE and REGION. Below are provided some further details for completion:

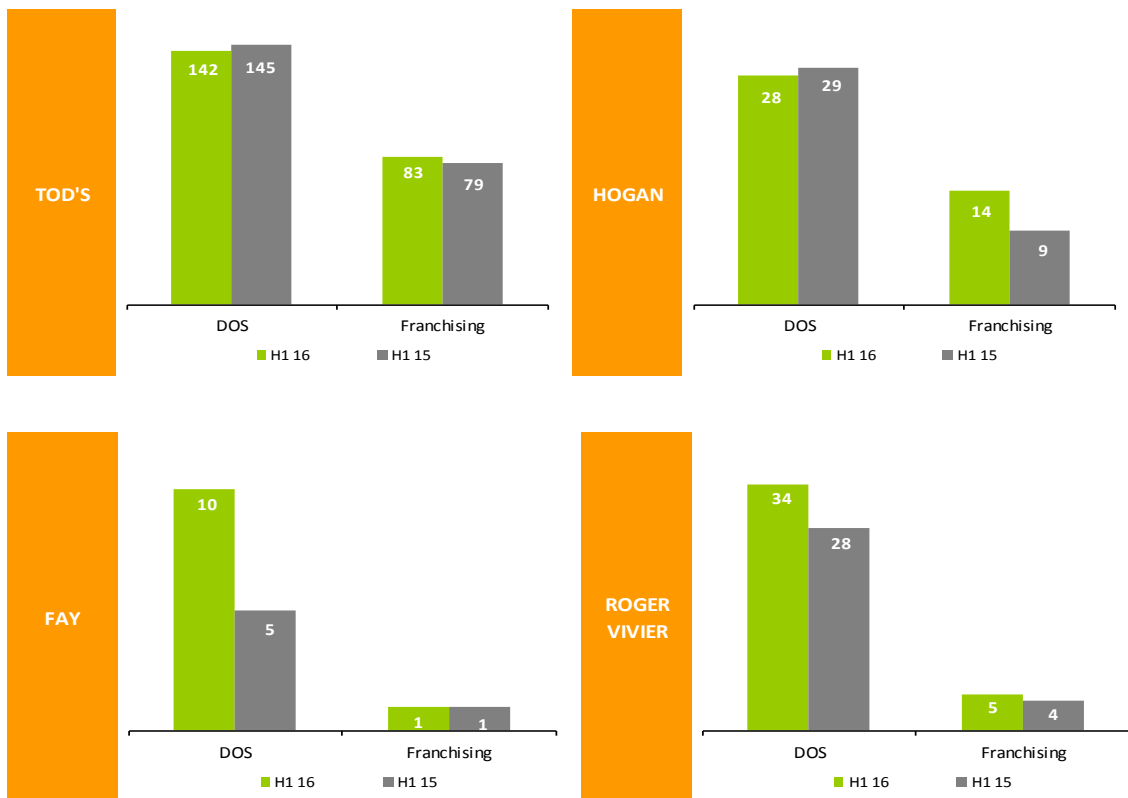
### 2016 Capital expenditures at June



The tables illustrated above don't include both the amount of the acquired brand ROGER VIVIER (415 million euros) and the tangible and intangible assets of the company Roger Vivier Paris sas (about 3.6 million euros).

### Distribution network

| TOD'S GROUP - Distribution channel |                   | 06.30.16   | 06.30.15   |
|------------------------------------|-------------------|------------|------------|
| Italy                              | DOS               | 48         | 45         |
|                                    | FRANCHISED STORES | 2          | 2          |
| Europe                             | DOS               | 55         | 53         |
|                                    | FRANCHISED STORES | 21         | 17         |
| Americas                           | DOS               | 21         | 18         |
|                                    | FRANCHISED STORES | 3          | 3          |
| Greater China                      | DOS               | 80         | 81         |
|                                    | FRANCHISED STORES | 28         | 24         |
| RoW                                | DOS               | 57         | 54         |
|                                    | FRANCHISED STORES | 49         | 47         |
| <b>Total DOS</b>                   |                   | <b>261</b> | <b>251</b> |
| <b>Totale Franchised stores</b>    |                   | <b>103</b> | <b>93</b>  |



## 8. Management of financial risks

Consistently with the provisions of the Code of Self-discipline of Listed Companies, TOD'S Group has set up a system for monitoring the financial risks to which it is exposed. These can be identified as follows:

- i. **Credit risk.** This represents the exposure of TOD'S Group to potential losses stemming from default on the obligations assumed by commercial counterparties.
- ii. **Liquidity risk.** The liquidity risk represents the risk stemming from the unavailability of financial resources as necessary to meet the short-term commitments assumed by the Group and its own financial requirements.

The main factors that determine the Group's degree of liquidity are the resources generated or used by operating and investment activities and, on the other hand, the due dates or renewal dates of its payables or the liquidity of its financial investments and market conditions.

This risk is limited by taking actions aimed at ensuring a balanced structure of the Group's capital and by maintaining such a level of cash and cash equivalents as is required to meet its financial debt requirements at the relevant maturity dates in an adequate manner. Particular attention is paid to the definition of the credit counterparty that is considered to be suitable for cash operations and that is identified according to increasingly selective liquidity, security and yield criteria and in line with the Management's instructions.

In connection with the syndicated loan for a total of 400 million euros, on January 27<sup>th</sup>, 2016 TOD'S S.p.A. drawn definitely 300 million euros (Note 16) used for the completion of ROGER VIVIER brand acquisition. The financial situation of the Group benefited of the capital increase for 207.5 million euros, resolved on January 13<sup>th</sup>, 2016 by TOD'S S.p.A. extraordinary Shareholder's meeting reserved for Gousson Consultadoria and Marketing S.r.l., entirely subscribed and paid on the same date, which reinvested in the Group part of the collected price in accordance with the master agreement signed by the parties on November 22<sup>nd</sup>, 2015 (Notes 11 and 17).

Furthermore, it should be noted that, again on January 27<sup>th</sup>, 2016, TOD'S S.p.A. entered into a syndicated loan agreement with Crédite Agricole Corporate and Investment Bank and Cassa di Risparmio di Parma e Piacenza S.p.A. (Crédite Agricole Group), whereby a medium/long-term revolving credit facility was granted, in a maximum amount of 100 million euros, in order to borrow the liquid funds needed to meet any possible requirement connected with ordinary sales and general corporate operations. This credit facility will be available for a period of 3 years. At June 30<sup>th</sup>, 2016 no amount has been used in connection with the above mentioned loan.

Considering the Group profitability and its capacity to generate cash, it's reasonable to believe that liquidity risk is not significant.

Moreover, it should be noted that such capacity of generating cash may allow Group to meet these commitments in a period of time that is potentially shorter than that in which the loans and credit facilities are expected to be available.

Finally, as regards financial operations, the Group's policy is to continue to invest all of its available liquid funds in sight bank deposits or in short-term liquidity, without making use of financial instruments, including those of the money market, and dividing its deposits among an adequate number of banks, which are carefully selected by taking account of financial soundness and reliability parameters, geographical location and level of remuneration offered.

**iii. Market risk.** This type of risk includes those risks that are directly or indirectly tied with the fluctuation of physical and financial market prices to which a company is exposed:

- exchange rate risk;
- interest rate risk;
- commodity risk, which is tied to the volatility of prices for the raw materials used in the production process.

Concerning the above mentioned risks, TOD'S Group is exposed to exchange rate and interest rate risk, since there is no physical market subject to actual fluctuations in the purchase prices for raw materials used in the production process.

The policy adopted for management of the aforementioned risks, provides that the Group constantly monitors the financial risks connected with its operations, so that it can assess their potential negative effects in advance and take the necessary actions to mitigate them.

**Exchange rate risk.** Due to its commercial operations, the Group is exposed to fluctuations in the exchange rates for currencies in which some of its commercial transactions are denominated (particularly USD, GBP, CHF and Far East countries), against a cost structure that is concentrated principally in the eurozone. The TOD'S Group realises greater revenues than costs in all these currencies; therefore, changes in the exchange rate between the euro and the aforementioned currencies can impact the Group's results.

Moreover, due to the geographical composition of the Group structure, which is formed by subsidiaries with different currencies, the Group is exposed to exchange rate risk related to intercompany financial flows (mainly dividends, loans, transactions on share capital).

Finally, the Group is exposed to "translation risk". This risk stems from the fact that the assets and liabilities of consolidated companies whose functional currency is different from the euro can have different countervalues in euros according to changes in foreign exchange rates. The measured amount of this risk is recognised in the "translation reserve" in equity.

The Group monitors the changes of such exposure. No hedges of this risk existed at the reporting date. Governance of individual foreign currency operations by the Group's subsidiaries is highly simplified by the fact that they are wholly owned by the parent company.

The Group's risk management policy, in connection to the exchange rate risk on commercial transactions, aims to ensure that the average countervalue in euros of receipts on transactions denominated in foreign currencies for each collection (Spring/Summer and Fall/Winter) is equal to or greater than what would be obtained by applying the pre-set target exchange rates. The Group pursues these aims by entering into forward contracts for each individual currency to hedge a specific percentage of the expected revenue (and cost) volumes in the individual currencies other than the functional currency. These positions are not hedged for speculative or trading purposes, consistently with the strategic policies adopted for prudent management of cash flows. Consequently, the Group might forego opportunities to realise certain gains, but it avoids running the risks of speculation.

The Group defines its exchange risk *a priori* according to the budget for the reference period and then gradually hedges this risk upon acquisition of orders, in the amount according to which they correspond to budget forecasts.

The process of hedging exchange rate risk inside the Group is broken down into a series of activities that can be grouped into the following distinct phases:

- definition of operating limits;
- identification and quantification of exposure;
- implementation of hedges;
- monitoring of positions and alert procedures.

In connection with the exchange rate risk on financial intercompany transactions, the Group monitors the risk underlying outstanding liabilities (loans) and forecast liabilities (dividends and capital increases), in view of guaranteeing that no material operating and financial impact for the entities involved results from these transactions in relation to fluctuations in exchange rates. These goals are pursued by the Group through monitoring the foreign exchange rate trends related to outstanding or expected capital transactions and entering into forward contracts if they will have material contingent effects. These forward contracts are made to hedge the individual transactions, and not for speculation or trading. This is consistent with the strategic policies focused on prudent management of cash flows.

**Interest rate risk.** TOD'S Group is exposed to interest rate fluctuations, limited to its variable-rate debt instruments. Interest rate risk is managed in conformity to long-established practice with the aim of cutting down the risk of interest rate volatility, at the same time pursuing the goal of reducing the financial costs involved to a minimum.

The parent company TOD'S S.p.A. has a syndicated loan signed with Mediobanca and Crédite Agricole, drawn for 300 million euros, with variable interest rate equal to EURIBOR 3M + 0,90 basis points.

To hedge the risk of possible changes in the interest rates on the financing transaction that has already been mentioned, two derivative contracts (interest rate swaps - IRSs), have been signed

on July 23<sup>rd</sup>, 2014, for a notional amount of 300 million euros, equal to the amount drawn for the loan (Note 10). These derivatives protect the Group from the risk of a generalised rise in interest rates, swapping the variable rate on the loan (3-month EURIBOR + 90 basis points) for a contractually fixed rate (a quarterly rate of 0.748%). Such transactions have been recognised in accordance with cash flow hedge methodology provided by IAS39.

In addition to the above mentioned syndicated loan, TOD'S S.p.A. entered into two loan agreements with BNL S.p.A. (BNP Paribas Group) and Intesa San Paolo S.p.A. respectively, for an amount of 25 million euros each; the reimbursements will be respectively in four years with a payment of 16 instalments at the end of every quarter and one-shot with a single payment at the expiry date. Interests rates are variables and equal to the EURIBOR 3m + 0.42% and EURIBOR 3m +0.5% respectively (Note 16). Considered the current financial markets situation and the current EURIBOR reference rate, the Group doesn't believe necessary to put in place hedging derivatives for such loans. The financial market trend and the related benchmark interests rates are constantly monitored by the Group, and, in case there could be an increase of risks in connection with the above mentioned loans, the Group will put in place appropriate hedging instruments in accordance with the strengthened Group practice.

Finally, the financial liabilities (Notes A1 and A2) issued by the subsidiary Holpaf B.V. (Note 16) are subject to a fixed rate of 2.94% and 3.239%, respectively.

## 9. Intangible and Tangible fixed assets

Intangible assets with undefined useful life includes the values of the Group own brands, for about 553.1 million euros (137.2 million euros at December 31<sup>st</sup>, 2015) and value of goodwill, for about 12.2 million euros (unchanged in respect to December 31<sup>st</sup>, 2015), related to acquisitions of controlled companies and they have been determined in accordance with the acquisition method (IFRS 3).

The increase of brands figures is entirely related to the acquisition of ROGER VIVIER brand, for 415 million euros (Note 17), and direct related costs (for 0.9 million euros).

Key money include the amounts paid for this purpose by the Group to take over certain leases of commercial spaces where some DOS operate.

Other intangible assets with definite useful life include long-term amounts to protect the brands owned by the Group, software and other intangible assets. This item include the net book value related to the agreement signed by the holding TOD'S S.p.A. for financing the restoration work on the Coliseum, amounting to 8.9 million euros.

Capital expenditure in H1 2016, net of the acquired brand ROGER VIVIER, and net of the fixed assets referred to the acquired company Roger Vivier France Sas, amounting to 3.6 million euros, totalled 18.6 million euros, of which 4.6 million euros of intangible assets and 14 million euros of tangible assets. The capital expenditures of the DOS network totalled about 10.2 million euros.



This amount was used primarily for both new DOS openings and for renovation activities of the existing stores, among which the most relevant is the activity done at the flagship store in London at bond street which was even subject to an important expansion of sales surface. The remaining investment quota in the period regarded not only the normal processes of modernising the structures and industrial equipment (mainly lasts and moulds) but also to the development of the company management software.

The change in the line Land and Buildings is mainly due to the exchange effect on the value of the Omotesando building, in Tokyo, location of the subsidiary Tod's Japan's administrative offices and of the most important TOD'S flagship store in Japan.

## 10. Derivative financial instruments

At the closing date of the half-year condensed financial statements, the notional amount of the derivative financial instruments for the hedging of exchange rate risk (sale and purchase) entered into by the Group are summarized as follows:

| Currency 000's    | Sales                   |                     | Purchases               |                     |
|-------------------|-------------------------|---------------------|-------------------------|---------------------|
|                   | Notional in<br>currency | Notional in<br>euro | Notional in<br>currency | Notional in<br>euro |
| US dollar         | 36,050                  | 32,472              |                         |                     |
| HK dollar         | 582,000                 | 67,568              |                         |                     |
| Japanese yen      | 1,278,000               | 11,206              | 4,440,000               | 38,930              |
| British pound     | 22,200                  | 26,860              | 2,500                   | 3,025               |
| Swiss franc       | 8,150                   | 7,500               |                         |                     |
| Chinese renmimbi  | 469,300                 | 63,630              | 60,000                  | 8,135               |
| Singapore dollar  | 2,930                   | 1,959               |                         |                     |
| Euro              | 7,105                   | 7,105               | 13,490                  | 13,490              |
| Canadian dollar   | 8,300                   | 5,770               |                         |                     |
| Brazilian real    | 1,340                   | 373                 |                         |                     |
| Australian dollar | 2,680                   | 1,795               |                         |                     |
| <b>Total</b>      |                         | <b>226,238</b>      |                         | <b>63,580</b>       |

At each reporting date, the hedge accounting method is applied. This requires recognition of the derivatives in the other comprehensive income at their fair value and recognition of the changes in fair value, which varies according to the type of hedge at the valuation date. The fair value of derivative financial instruments existing at June 30<sup>th</sup>, 2016 is classified as Level 2 and has been determined using exchange rate that are quoted in active markets.

At June 30<sup>th</sup>, 2016 the net fair value of derivatives used to hedge exchange risks reported is positive, on the whole, of 2,779 thousand euros, i.e. the balance of assets of 5,747 thousand euros (compared to 1,688 thousand euros at December 31<sup>st</sup>, 2015) and liabilities of 2,968 thousand euros (compared to 3,125 thousand euros at December 31<sup>st</sup>, 2015).

The cash flow hedge reserve related to hedging instruments used to hedge forecast transactions, net of related tax effects, is positive for 6,525 thousand euros (it was negative for 1,316 thousand euros at December 31<sup>st</sup>, 2015), and it relates to the hedging of commercial transactions for 407 thousand euros and for 6,118 thousand euros to the hedging of intercompany financial transactions. Cash flow hedge reserve include even a portion related to intercompany transactions, for which the related hedging instruments are closed at June 30<sup>th</sup>, 2016, and it will be reversed when the hedging items will be realized.

As regards the hedging contracts related to commercial transactions, which were realized in the period from January to June 2016, the transfer of the effect of the hedging transactions to the income statement was positive for 135 thousand euros, of which 105 thousand euros were entered as an increase in revenues and 30 thousand euros as a reduction of costs.

At June 30<sup>th</sup>, 2016 two derivative contracts (interest rate swaps - IRSs) were also in place, which were entered into on July 23<sup>rd</sup>, 2014 to hedge the risk associated with fluctuations in the interest rates on a variable rate loan transaction for a notional amount of 300 million euros (Note 16). These derivative contracts, having an overall notional amount equal to the underlying loan (300 million euros), as a consequence of the unwinding occurred during the current half year, protect the Group from the risk of a generalised rise in interest rates, swapping the variable rate on the loan for a contractually fixed rate. At June 30<sup>th</sup>, 2016 the fair value of such derivatives, negative for 9,336 thousand euros, has been recognised for 6,255 thousand euros in the non-current liabilities in accordance with the period on which the effects will be generated; the amount recognised in the financial expenses at June 30<sup>th</sup>, 2016 was 2,082 thousand euros, of which 849 thousand euros related to the unwinding while the related cash flow hedge reserve, net of tax effect, was negative for 6,221 thousand euros.

## 11. Share Capital

At June 30<sup>th</sup>, 2016, the company share capital totalled 66,187,078 euros, and was divided into 33,093,539 shares having a par value of 2 euros each, fully subscribed and paid in. Share capital increased from 61,218,802 euros, at December 31<sup>st</sup>, 2015, to 66,187,078 euros as a consequence of the capital increase resolved by TOD'S S.p.A. extraordinary shareholder's meeting held on January 13<sup>th</sup>, 2016 reserved to Gousson – Consultadoria e Marketing S.r.l. which subscribed and paid it on January 27<sup>th</sup>, 2016.

The Group did not own treasury shares in the parent TOD'S S.p.A., and it did not execute any transactions on those shares during the period. No stock option plans are currently in place.

## 12. Earnings per share

The calculation of base and diluted earnings per share is based on the followings:

i. Reference profit

| euro 000's  |               |               |
|---|---------------|---------------|
| For continuing and discontinued operations                | H1 2016       | H1 2015       |
| Profit used to determine basic earning per share          | 37,435        | 50,379        |
| Dilution effects  |               |               |
| <b>Profit used to determine diluted earning per share</b> | <b>37,435</b> | <b>50,379</b> |

| euro 000's  |               |               |
|---|---------------|---------------|
| For continuing operations                                 | H1 2016       | H1 2015       |
| Profit for the period                                     | 37,435        | 50,379        |
| Income (Loss) from discontinued operations                |               |               |
| <b>Profit used to determine basic earning per share</b>   | <b>37,435</b> | <b>50,379</b> |
| Dilution effects  |               |               |
| <b>Profit used to determine diluted earning per share</b> | <b>37,435</b> | <b>50,379</b> |

In both periods, first half 2016 and 2015, there were no dilutions of net consolidated earnings, partly as a result of activities that were discontinued during the periods in question.

ii. Reference number of shares

|   | H1 2016           | H1 2015           |
|---|-------------------|-------------------|
| Weighted average number of shares to determine basic earning per share          | 32,725,013        | 30,609,401        |
| Share Options   |                   |                   |
| <b>Weighted average number of shares to determine diluted earning per share</b> | <b>32,725,013</b> | <b>30,609,401</b> |

The weighted average number of shares used for the earning per share computation at June 30<sup>th</sup>, 2016 consider the number of shares increase occurred on January 27<sup>th</sup>, 2016 as a consequence of the capital increase resolved by TOD'S S.p.A. shareholder's meeting held on January 13<sup>th</sup>, 2016 (Note 11).

### 13. Dividends

Pursuant to a resolution by the Shareholders' Meeting of April 20<sup>th</sup>, 2016, the parent company TOD'S S.p.A. paid its shareholders dividends in May for the net profit realised in FY 2015. The aggregate value of dividends paid totals 66,187,078 euros, at the rate of 2 euros for each of the 33,093,539 shares comprising share capital at the ex dividend date (May 23<sup>rd</sup>, 2016).

### 14. Provisions

They include the prudent estimate of liabilities that the Group might incur on negative pending legal and tax lawsuits. Provisions for the period amounted to 884 thousand euros (1,285 thousand euros the provision of the first half of 2015), while the fund has been used for 552 thousand euros (150 thousand euros in the first half 2015) against the settlement of some litigations previously accrued.

## 15. Employee benefits

This item mainly consists of post-employment benefits, measured by using the actuarial method of measuring the unit projection of the receivable applied by independent actuaries on the basis of IAS 19, and is mainly represented by the provisions for staff leaving indemnities (TFR) recognised by the Italian companies. The charge for the financial year was recognised under personnel expense.

The main actuarial assumptions used for the valuation at December 31<sup>st</sup>, 2015, unchanged for HY 2016, are summarized below:

- Discounting rate: 2.03%

It is related to the average yield curve from IBOXX Eurozone Corporates AA of December 2015.

- Inflation rate: 1.5% for the year 2016, 1.8% for the year 2017, 1.7% for the year 2018, 1.6% for the year 2019 and 2% for the year 2020 on;
- TFR incremental rate: 2.625% for the year 2016, 2.850% for the year 2017, 2.775% for the year 2018, 2.70% for the year 2019 and 3% for the year 2020 on.

## 16. Net Financial Position

At June 30<sup>th</sup>, 2016, net financial position was negative for 112.7 million euros (was positive for 134.2 million euros and 73.1 million euros at December 31<sup>st</sup>, 2015 and June 30<sup>th</sup>, 2015 respectively) and it includes cash and cash equivalents for 271.4 million euros and financial liabilities for 384.1 million euros, of which 310.9 million euros as non-current financial liabilities.

| Net financial position (euro 000's)      |   | 06.30.16         | 12.31.15        | Change           |
|--|---|------------------|-----------------|------------------|
| 06.30.15                                 |   |                  |                 |                  |
| <b>Current financial assets</b>          |   |                  |                 |                  |
| 159,434                                  | Cash and cash equivalents                   | 271,373          | 217,801         | 53,572           |
| <b>159,434</b>                           | <b>Cash</b>                                 | <b>271,373</b>   | <b>217,801</b>  | <b>53,572</b>    |
| <b>Current financial liabilities</b>     |   |                  |                 |                  |
| (12,592)                                 | Current account overdrafts                  | (17,195)         | (13,737)        | (3,458)          |
| (9,872)                                  | Current share of medium-long term financing | (55,968)         | (10,084)        | (45,883)         |
| <b>(22,464)</b>                          | <b>Current financial liabilities</b>        | <b>(73,163)</b>  | <b>(23,822)</b> | <b>(49,341)</b>  |
| <b>136,970</b>                           | <b>Current net financial position</b>       | <b>198,210</b>   | <b>193,979</b>  | <b>4,231</b>     |
| <b>Non-current financial liabilities</b> |   |                  |                 |                  |
| (63,891)                                 | Financing                                   | (310,884)        | (59,743)        | (251,141)        |
| <b>(63,891)</b>                          | <b>Non-current financial liabilities</b>    | <b>(310,884)</b> | <b>(59,743)</b> | <b>(251,141)</b> |
| <b>73,079</b>                            | <b>Net financial position</b>               | <b>(112,674)</b> | <b>134,236</b>  | <b>(246,910)</b> |

The breakdown of current and non-current financial liabilities is shown below (net of Current account overdraft):

| Currency 000's   |                               |          |           | Res. Debt in | Res. Debt in   |
|--|-------------------------------|----------|-----------|--------------|----------------|
| Type   | Counterpart                   | Currency | Maturity  | currency     | Euro           |
| Medium and long term bank pool loan                    | Mediobanca - Crédite Agricole | Eur      | 2021      | 299,296      | 299,296        |
| Medium and long term loan                              | B.N.L. S.p.A.                 | Eur      | 2019      | 18,757       | 18,757         |
| Medium and long term loan                              | Intesa SanPaolo S.p.A.        | Eur      | 2019      | 24,966       | 24,966         |
| Leasing  | Medioleasing S.p.A.           | Eur      | 2023/2024 | 3,086        | 3,086          |
| Notes A-1  | Intesa SanPaolo S.p.A.        | Jpy      | 2017      | 211,947      | 1,858          |
| Notes A-2  | Société Européenne de Banque  | Jpy      | 2021      | 2,082,855    | 18,263         |
| <b>Total financing</b>                                 |                               |          |           |              | <b>366,226</b> |
| Other financial liabilities                            |                               | Inr      | n.a.      | 43,930       | 626            |
| <b>Total financing and other financial liabilities</b> |                               |          |           |              | <b>366,852</b> |

The medium and long term bank pool loan is related to the financing agreement signed by TOD'S S.p.A. and Mediobanca/Crédite Agricole, drawn for 300 million euros on January 27<sup>th</sup>, 2016 in order to complete the acquisition of ROGER VIVIER brand. Such loan has a variable interest rate equal to EURIBOR 3M + 0,90 basis points which was hedged with two derivative contracts (interest rate swaps - IRSs) for the same notional amount and duration (Note 10). The duration of such loan is 7 years from the signing date (July 2014) and it will be refunded quarterly starting from October 2016.

The medium and long term loans are related to two loan agreements signed in 2015 between the parent company TOD'S S.p.A. and BNL S.p.A. (BNP Paribas Group) and Intesa San Paolo S.p.A. respectively, for an amount of 25 million euros each; the reimbursements will be respectively in four years with a payment of 16 instalments at the end of every quarter and one-shot with a single payment at the expiry date. Interests rates are variables and equal to the EURIBOR 3m +0.42% and EURIBOR 3m +0.5% respectively.

These loans contains, among others, specific financial covenants; in particular, it is requested to respect the following parameters computed at a Group level:

| Bank                              | Financial covenants                    | Parameters |
|-----------------------------------|--|------------|
| Banca Nazionale del lavoro S.p.A. | Net financial liabilities/EBITDA       | ≤ 3,5      |
| Intesa SanPaolo S.p.A.            | Net financial liabilities/EBITDA       | ≤ 3        |
| Mediobanca/Crédite Agricole       | Indebitamento finanziario netto/EBITDA | ≤ 3,5      |

The parameters indicated above are constantly monitored by the Group and all financial covenants are fulfilled at June 30<sup>th</sup>, 2016.

Leasing are related to two financial lease agreements to which TOD'S S.p.A. got in on March 2014 in order to purchase a new industrial building located next to the Group headquarter. The financial liabilities indicated as Notes A-1 and A-2 represent two amortised, non-convertible fixed-rate (respectively 2.94% and 3.239%) bonds denominated in JPY, issued in 2006 by the

subsidiary Holpaf B.V. to refinance the debt assumed for purchase of the land and construction of the building in Omotesando. The two bonds were fully subscribed by banks, and specifically by Intesa San Paolo (Notes A-1) and Société Européenne de Banque (Notes A-2).

The debt referred to at Notes A-1 and A-2 includes the residual debt for principal (Note A-1: 1,832 thousand euros, and Note A-2: 17,720 thousand euros) and the interest accrued for the year, 20 thousand euros and 217 thousand euros, respectively, and the effect of fair value measurement upon initial recognition, for 5 thousand euros and 326 thousand euros, respectively, which are measured at amortized cost.

## 17. Transactions with related parties

The Group's related parties transactions were executed in compliance with the procedural sequence and implementing procedures set out in the Related Parties Transactions Procedure approved by the TOD'S S.p.A. Board of Directors in implementation of the Related Parties Regulation adopted by CONSOB with Resolution no. 17221 of March 12<sup>th</sup> 2010, as subsequently amended. In accordance with market best practices, significant related party transactions are subject to an in-depth review involving, inter alia:

- (i) complete, prompt transmission of material information to the delegated Board of Directors committees (the Control and Risk Committee and the Independent Directors Committee, each within the ambit of their delegated responsibilities, where the majority or all members of these committees are independent directors), who in the performance of their functions also avail themselves of the assistance of independent experts;
- (ii) the issuance of an opinion (either binding or non-binding, as applicable) before approval of the transaction by the Board of Directors (or, if appropriate, by the body delegated to resolve on the transaction). All transactions – which are connected with the normal operations of TOD'S Group companies – were executed solely on behalf of the Group by applying contractual conditions consistent with those that can theoretically be obtained on an arm's length basis.

### Transactions concluded during the period.

It's pointed out that on 27 January 2016, in accordance with the master agreement signed by the parties on November 22<sup>nd</sup>, 2015, the TOD'S Group completed a related-party transaction of greater importance pursuant to Article 4, paragraph 1, letter a), of Regulation on Related-Party Transactions and Article 1 of the Procedure on Related-Party Transactions of TOD'S S.p.A., which was approved by the Company's Board of Directors on 11 November 2010. This transaction concerned:

- The acquisition by TOD'S Group (through its subsidiary Partecipazioni Internazionali S.r.l., subsequently "Roger Vivier S.p.A.") of the ROGER VIVIER brand, which was previously held by the related party Gousson Consultadoria e Marketing S.r.l., a company

- owned by the Chairman of the Board of Directors, Diego Della Valle, at a total price of 415 million euros(plus VAT);
- The acquisition by the TOD'S Group (through its subsidiary Roger Vivier France sas) from the related party Gousson Consultadoria e Marketing S.r.l., at a price of 20 million euros, of the entire share capital of Roger Vivier Paris sas, the company that operates the ROGER VIVIER store located in Paris, at Rue du Faubourg Saint Honoré no. 29, the historical flagship store of the brand;
  - the reinvestment in TOD'S by Gousson Consultadoria e Marketing S.r.l., of 207.5 million euros (equal to about 50% of the brand price), through the subscription to the capital increase, which was resolved by the Extraordinary Shareholders' Meeting of TOD'S S.p.A. on January 13<sup>th</sup>, 2016 and which was reserved for Gousson Consultadoria e Marketing S.r.l.;
  - the payment by Gousson Consultadoria e Marketing S.r.l. to TOD'S S.p.A. of an indemnity of 25 million euros, for the restrictions on the methods of distribution set out in the overall licence agreement, which are aimed at maintaining the prestige of the ROGER VIVIER brand.

The Board of Directors of TOD'S S.p.A. deemed it appropriate to apply, with the aim of involving the widest possible shareholder base, a voluntary white-wash procedure, subject to a favourable opinion on the performance of the overall transaction on the part of the majority of non-related voting shareholders, representing at least 10% of the share capital.

The resources necessary to pay the price relating to the abovementioned transaction were found by making recourse to existing credit facilities, available cash and to an amount of 300 million euros drawn from the syndicated loan entered into during 2014, in order to raise funds intended to support the Group's growth and investments.

Through the abovementioned transaction, TOD'S Group obtained the permanent title to the ROGER VIVIER brand, thus eliminating the uncertainties arising from any licence agreement and it got full power on long term planning and distribution strategies on such brand.

On November 29<sup>th</sup>, 2015, TOD'S S.p.A. made available an information document to the public, which had been prepared pursuant to Section 7 of the abovementioned Procedure on Related-Party Transactions of Tod's S.p.A., to Article 5 of the Regulation on Related-Party Transactions adopted by Consob by resolution no. 17221 of 12 March 2010, as amended and supplemented, as well as to Article 71 of the Issuers' Regulation adopted by Consob by resolution no. 11971 of 14 May 1999, as amended and supplemented. For more information and details on the transaction, reference should be made to the abovementioned information document, which is available at the registered office of the Company and in the Company's website at [www.todsgroup.com](http://www.todsgroup.com).

In addition to the above mentioned transaction, during the half year 2016 TOD'S Group continued to maintain a series of contractual relationship with related parties (directors/controlling or

significant shareholders), already existing last year. The main object of the transactions was the sale of products, lease of sales spaces, show rooms and offices and the provision of advertising services.

**i Commercial transactions with related parties – Revenue**

| euro 000's            | Sales of Product | Rendering of services | Royalties | Operating lease | Other operations |
|-----------------------|------------------|-----------------------|-----------|-----------------|------------------|
| <b>30 June 2016</b>   |                  |                       |           |                 |                  |
| Parent Company (*)    | 4,989            |                       |           | 5               |                  |
| Directors             |                  |                       |           |                 |                  |
| Other related parties |                  |                       |           |                 |                  |
| <b>Total</b>          | <b>4,989</b>     | -                     | -         | <b>5</b>        | -                |
| <b>30 June 2015</b>   |                  |                       |           |                 |                  |
| Parent Company (*)    | 7,568            |                       |           |                 |                  |
| Directors             |                  |                       |           |                 |                  |
| Other related parties |                  |                       |           |                 |                  |
| <b>Total</b>          | <b>7,568</b>     | -                     | -         | -               | -                |

**ii Commercial transactions with related parties – Costs**

| euro 000's            | Costs of product | Rendering of services | Royalties    | Operating lease | Other operations |
|-----------------------|------------------|-----------------------|--------------|-----------------|------------------|
| <b>30 June 2016</b>   |                  |                       |              |                 |                  |
| Parent Company (*)    | 86               | 277                   |              | 2,260           | 185              |
| Directors             |                  |                       |              |                 |                  |
| Other related parties |                  |                       |              |                 |                  |
| <b>Total</b>          | <b>86</b>        | <b>277</b>            | -            | <b>2,260</b>    | <b>185</b>       |
| <b>30 June 2015</b>   |                  |                       |              |                 |                  |
| Parent Company (*)    | 945              | 27                    | 6,383        | 2,231           | 1                |
| Directors             |                  |                       |              |                 |                  |
| Other related parties |                  |                       |              |                 |                  |
| <b>Total</b>          | <b>945</b>       | <b>27</b>             | <b>6,383</b> | <b>2,231</b>    | <b>1</b>         |

(\*) Companies directly or indirectly controlled by Chairman of the Board of Directors Diego Della Valle.

**iii Commercial transactions with related parties – Receivables and payables**

| Receivables and payables<br>euro 000's | 06.30.16     |            | 06.30.15     |              |
|--|--------------|------------|--------------|--------------|
|  | Receivables  | Payables   | Receivables  | Payables     |
| Parent Company (*)                     | 2,488        | 564        | 3,426        | 6,965        |
| Directors                              |              |            |              |              |
| Other related parties                  |              |            |              |              |
| <b>Total</b>                           | <b>2,488</b> | <b>564</b> | <b>3,426</b> | <b>6,965</b> |

(\*) Companies directly or indirectly controlled by Chairman of the Board of Directors Diego Della Valle.



The purchased amount of ROGER VIVIER has been separately indicated in the face of the balance sheet in accordance with CONSOB resolution n. 15519 of July 27<sup>th</sup>, 2006. The remaining amounts of related party transactions indicated above have not been disclosed separately in the face of the financial statements because their amounts are not significant.

Transactions between Group companies included in the scope of consolidation have been eliminated from the half-year condensed financial statements. Consequently, they have not been highlighted in these notes.

#### **Compensation of Directors, Statutory Auditors and General Managers**

Compensation of Directors and Executives with strategic responsibilities of TOD'S S.p.A. have been determined in accordance with the Compensation Policy adopted by TOD'S S.p.A. Board of Directors resolution at November 11<sup>st</sup>, 2011 as amended on November 12<sup>nd</sup>, 2014 and, lastly, on November 11<sup>th</sup> 2015. For the first half of 2016 (including compensation for the activities performed at subsidiaries) compensation amount to respectively 2 million euros and 0.3 million euros. Moreover on April 20<sup>th</sup> 2016 the Shareholders' Meeting of TOD'S S.p.A. approved a *Phantom Stock Option Plan* in favor of the Managing Director Stefano Sincini, as long-term incentive benefit, consisting of a cash-settle payment, following the approval of the 2018 financial statements, to be determined on the TOD'S share price with strike price established to euro 121,4.

Compensation for Statutory Auditors of TOD'S S.p.A. at June 30<sup>th</sup>, 2016 amount to 0.2 million of euro.

#### **18. Significant non-recurring transactions and events**

During the first half 2016 the following non-recurring transactions occurred, which negatively impacted the profit for the period for 0.5 million euros net of the related tax effect. In details, such non-recurring transactions relate to:

- the economic indemnity for 25 million euros paid by Gousson Consultadoria e Marketing S.r.l. to TOD'S S.p.A. on January 27<sup>th</sup>, 2016 within the transaction related to the acquisition of ROGER VIVIER brand (Note 17);
- an extraordinary complete write-off of part of the non-current stock for 24.2 million due to the redefinition of some distribution strategies mainly as a consequence of the ROGER VIVIER brand acquisition, of which 21,7 million euros related to finished products and 2,5 million euros related to raw materials.

In addition, the payment of the economic indemnity for 25 million euros had an effect on cash flows from operating activities generated by the Group during the period.

**19. Significant events occurred after the reporting period**

No significant events occurred after the end of the reporting period.

**Attestation of the Half-Year condensed financial statements of TOD'S Group pursuant article 154 bis of D.LGS. 58/98 and of article 81-ter of Consob Regulation n. 11971 of May 14<sup>th</sup> 1999 and further modifications and integrations.**

1. The undersigned Stefano Sincini, Chief Executive Officer of TOD'S S.p.A., and Rodolfo Ubaldi, manager responsible for the drawing up of the financial reports of TOD'S S.p.A., certify, in accordance with the provisions of Article 154-bis, subsections 3 and 4, of Legislative Decree no. 58 of February 24<sup>th</sup>, 1998:

- the adequacy in terms of the company's characteristics and
- effective application

of administrative and accounting procedures for preparation of the 2016 Half Year condensed financial statements during the period January 1<sup>st</sup>, 2016 to June 30<sup>th</sup>, 2016.

2. They also certify that Half-Year condensed financial statements:

- a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Counsel, dated 19<sup>th</sup> July 2002;
- b) correspond with the account book and ledger entries;
- c) give a true and fair view of the assets, liabilities, income and financial position of the issuer and entities included in the scope of consolidation.

3. Interim report provides a reliable analysis of the significant events for the first six months of the current fiscal year and the impact of such events on the Half year condensed financial statements as well as a description of the main risks and uncertainties for the second half of the year in addition to a reliable analysis of the information on the significant related party transactions.

Milan, September 14<sup>th</sup>, 2016

*Chief Executive Officer*  
Stefano Sincini

*Manager responsible for drawing  
up of the financial report*  
Rodolfo Ubaldi