

TOD'S s.p.a.

2019 Annual Report

(Translation of the 2019 Annual Report approved in Italian
solely for the convenience of international readers)

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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 15th Street
 Paris – Rue de Faubourg Saint-Honoré, 29
 Paris – Rue du Général FOY, 22
 Paris – Rue Royale, 25
 Seoul – 11/F Pax Tower 609, Eonju-ro, Gangnam-gu
 Shanghai - 1717 Nanjing West Road, Wheelock Square 45/F
 Tokyo – 1-5-8 Jingumae Shibuya Ku

Group's Headquarter and main production site

Via Filippo Della Valle, 1
 63811 Sant'Elpidio a Mare (Fermo) – Italy

Other production facilities

Arquata del Tronto (AP) – Zona Industriale Pescara del Tronto
 Bagno a Ripoli, Loc. Vallina (FI) - Via del Roseto, 50
 Bagno a Ripoli, Loc. Vallina (FI) - Via del Roseto, 60
 Comunanza (AP) - Via S.Maria, 2-4-6
 Comunanza (AP) - Via Merloni, 7
 Durrës (Albania) – Rr. Jakov Xoxa Prane – Nish Goma – Shkozët
 Tolentino (MC) - Via Sacharov 41/43

TOP S Group

Report on operations

Corporate Governance bodies

Board of directors (1)	Diego Della Valle Andrea Della Valle Luigi Abete Maurizio Boscarato Marilù Capparelli Sveva Dalmasso Emanuele Della Valle Gabriele Del Torchio Romina Guglielmetti Umberto Macchi di Cellere Emilio Macellari Vincenzo Manes Cinzia Oglio Emanuela Prandelli Pierfrancesco Saviotti	Chairman Vice - Chairman
Executive Committee	Diego Della Valle Andrea Della Valle Umberto Macchi di Cellere Emilio Macellari	Chairman
Compensation Committee	Vincenzo Manes Sveva Dalmasso Luigi Abete	Chairman
Control and Risk Committee	Romina Guglielmetti Maurizio Boscarato Vincenzo Manes	Chairman
Independent Directors Committee	Vincenzo Manes Sveva Dalmasso Romina Guglielmetti	Chairman
Board of statutory (2) Auditors	Giulia Pusterla Enrico Colombo Fabrizio Redaelli Myriam Amato Gilfredo Gaetani	Chairman Acting stat. auditor Acting stat. auditor Substitute auditor Substitute auditor
Independent Auditors (3)	PricewaterhouseCoopers S.p.A.	
Manager charged with preparing a company's financial report	Rodolfo Ubaldi	

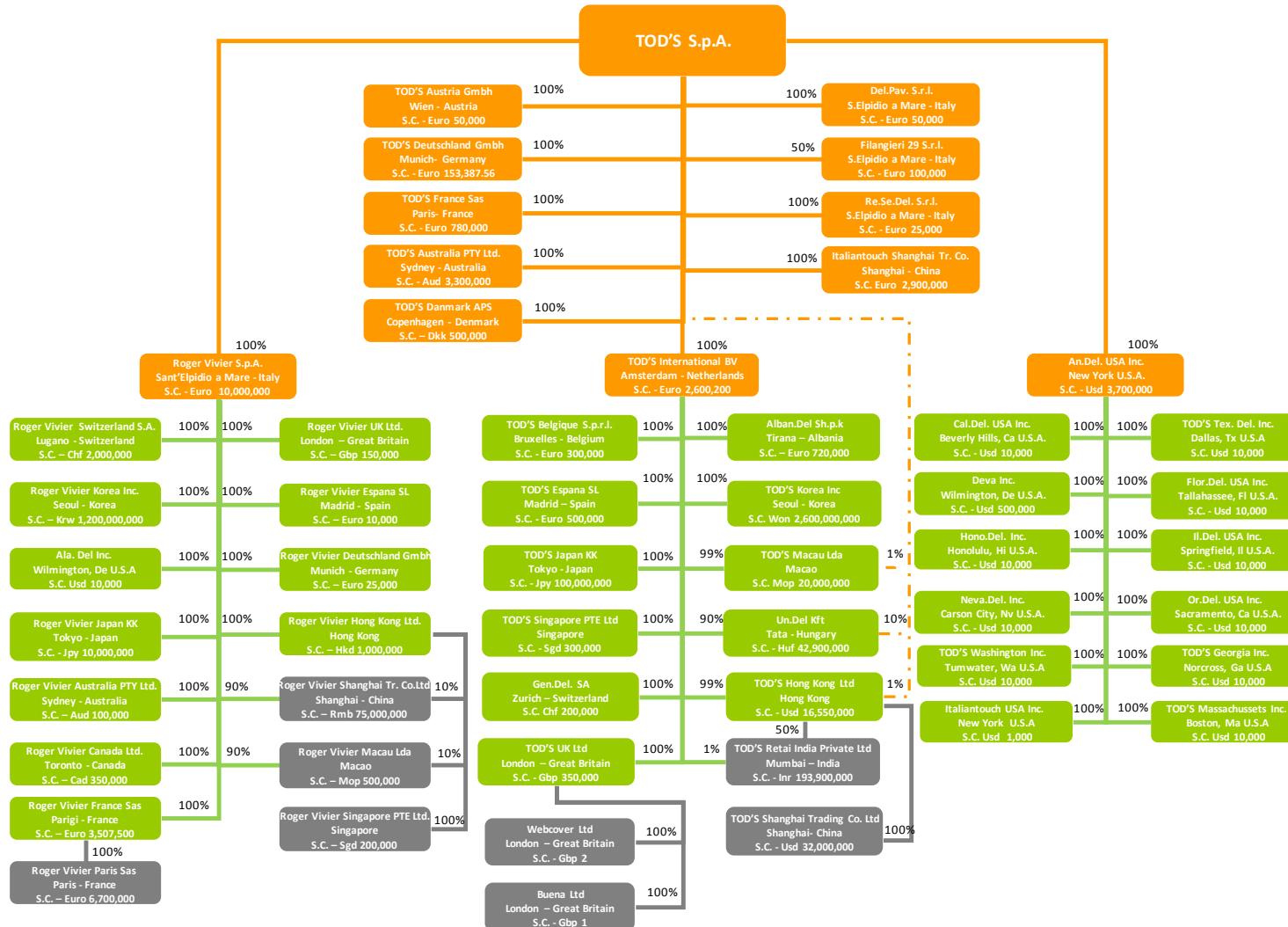
(1) Term of the office: 2018-2020 (resolution of the Shareholders' meeting as of April 19th, 2018)

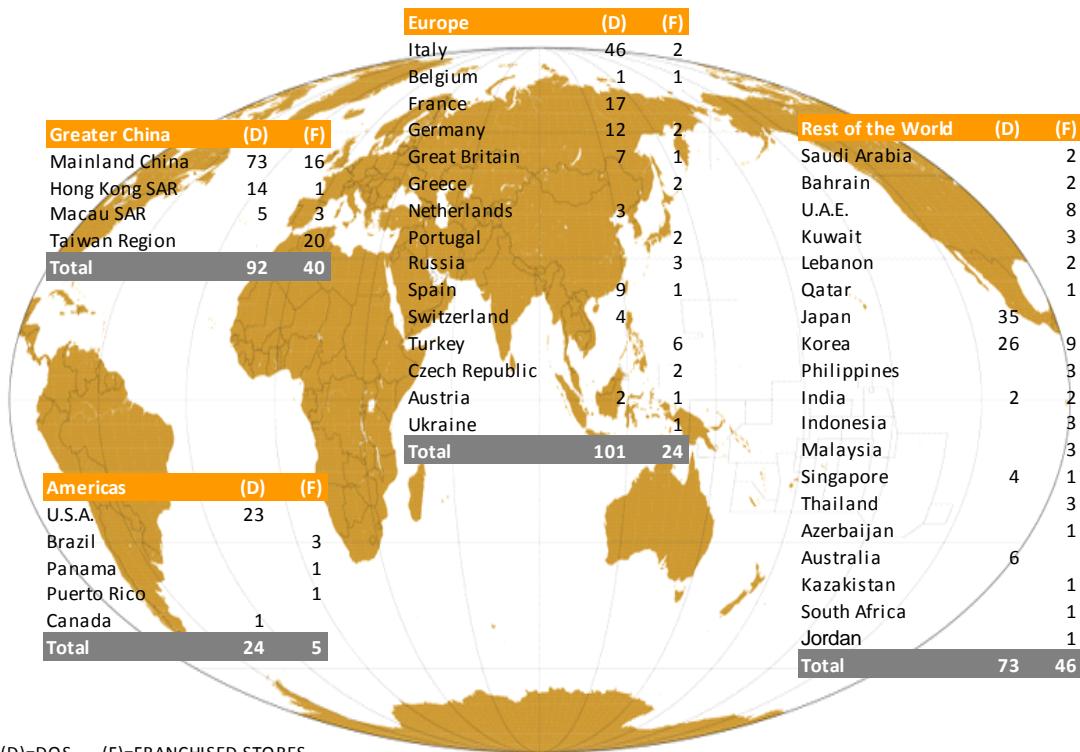
(2) Term of the office: 2019-2021 (resolution of the Shareholders' meeting as of April 18th, 2019)

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

TOD'S Group			
TOD'S S.p.A. Parent Company, owner of TOD'S, HOGAN, FAY and ROGER VIVIER brands	TOD'S Retail India Private Ltd Company that operates DOS in India	Un.Del. Kft Production company	TOD'S Washington Inc. Company that operates DOS in Washington (USA)
TOD'S International B.V. Sub-holding for operation of international subsidiaries and DOS in The Netherlands	TOD'S (Shanghai) Trading Co. Ltd Company that distributes and promotes products in China and operates DOS in China	Re.Se.Del. S.r.l. Company for services	Ala Del Inc. Company that operates DOS in Delaware (USA)
An.Del. Usa Inc. Sub-holding for operation of subsidiaries in the United States	TOD'S Singapore Pte Ltd Company that operates DOS in Singapore	Roger Vivier S.p.A. Owner of ROGER VIVIER brand and Sub-holding for operation of international subsidiaries and DOS in Italy	TOD'S Massachussets Inc. Company that operates DOS in Massachussets (USA)
Del.Pav S.r.l. Company that operates DOS in Italy	TOD'S UK Ltd Company that operates DOS in Great Britain	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 Paris Sas Company that operates DOS in France
Filangieri 29 S.r.l. Company that operates DOS in Italy	Webcover Ltd Company that operates DOS in Great Britain	Roger Vivier Singapore Pte Ltd Company that operates DOS in Singapore	Buena Ltd. Company that provides services in Great Britain
Gen.del. SA Company that operates DOS in Switzerland	Cal.Del. Usa Inc. Company that operates DOS in California (USA)	Roger Vivier (Shanghai) Trading Co. Ltd Company that operates in China	Roger Vivier Deutschland GmbH Company that operates DOS in Germany
TOD'S Belgique S.p.r.l. Company that operates DOS in Belgium	Deva Inc. Company that distributes and promotes products in North America, and manages DOS in the State of NY (USA)	Roger Vivier UK Ltd Company that operates DOS in Great Britain	Roger Vivier Espana SL Company that operates DOS in Spain
TOD'S Deutschland GmbH Company that distributes and promotes products in Germany and manages DOS in Germany	Flor. Del. Usa Inc. Company that operates DOS in Florida (USA)	TOD'S Georgia Inc. Company that operates DOS in Georgia (USA)	Roger Vivier Australia PTY Ltd Company that operates DOS in Australia
TOD'S Espana SL Company that operates DOS in Spain	Hono. Del. Inc. Company that operates DOS in Hawaii (USA)	Roger Vivier France Sas Company that operates DOS in France	TOD'S Australia PTY Ltd Company that operates DOS in Australia
TOD'S France Sas Company that operates DOS in France	II. Del. Usa Inc. Company that operates DOS in Illinois (USA)	Roger Vivier Korea Inc. Company that operates DOS in Korea and that distributes and promotes products in Korea	Roger Vivier Canada Ltd Company that operates DOS in Canada
TOD'S Japan KK Company that operates DOS in Japan	Neva. Del. Inc. Company that operates DOS in Nevada (USA)	Roger Vivier Switzerland S.A. Company that operates DOS in Switzerland	Italiantouch USA Inc. Company that manages on line sales in the USA market.
TOD'S Macao Ltd Company that operates DOS in Macao	Or. Del. Usa Inc. Company that operates DOS in California (USA)	Roger Vivier Macau Ltd Company that operates DOS in Macao	Italiantouch Shanghai Trading Co. Ltd Company that manages on line sales in the China market.
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 Tex. Del. Usa Inc. Company that operates DOS in Texas (USA)	Roger Vivier Japan KK Company that operates DOS in Japan	
TOD'S Korea Inc. Company that distributes and promotes products in Korea and operates DOS in Korea	Alban.Del Sh.p.k. Production company	TOD'S Danmark APS Company under liquidation	
		TOD'S Austria GMBH Company that operates DOS in Austria	

Group's organizational chart



Distribution network as of December 31st, 2019

DOS, 2019 new openings

Europe

Barcellona	(Spain)
Paris	(France)
Frankfurt	(Germany)
Hamburg	(Germany)

Greater China

Xiamen	(Mainland China)
Chengdu	(Mainland China)
Harbin	(Mainland China)
Xiamen	(Mainland China)
Beijing	(Mainland China)
Shanghai	(Mainland China)
Macao	(Macao SAR)
Hong Kong	(Hong Kong SAR)
Hong Kong	(Hong Kong SAR)
Hong Kong	(Hong Kong SAR)

Rest of the World

Melbourne	(Australia)
Melbourne	(Australia)
Sidney	(Australia)
Nagoya	(Japan)
Tokyo	(Japan)
Singapore	(Singapore)

Singapore

Seoul (Singapore) (South Korea)

Americas

New York	(U.S.A.)
Toronto	(Canada)

Franchised stores, 2019 new openings

Europe

Porto	(Portugal)
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Rest of the World

Busan	(South Korea)
Manila	(Philippines)
Amman	(Jordan)

Greater China

Shenyang	(Mainland China)
Beijing	(Mainland China)
Shanghai	(Mainland China)
Taipei	(Taiwan Region)

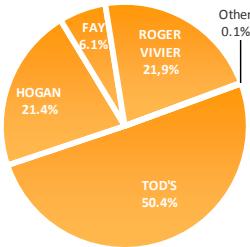
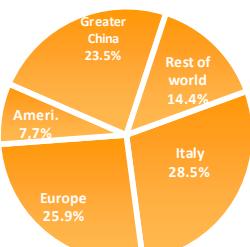
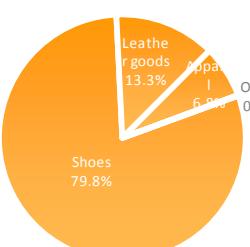
Americas

Porto Rico	(Puerto Rico)
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(*) in order to compare the number of DOS with those of the 2018 financial year, it should be noted that, in 2019, 7 DOS were, for administrative purposes only, merged with others

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

Key consolidated financial figures (*)

2019 Revenues - % by brand		P&L key figures (euro mn)						
								
		FY 19	FY 19 net of non- recurring income	FY 18	FY 18	FY 17	FY 17	
		Revenues	916.0	916.0	940.5	963.3		
		EBITDA	255.4	27.9%	157.9	17.2%	118.3	12.6% 160.5 16.7%
		EBIT	101.1	11.0%	3.6	0.4%	71.8	7.6% 111.8 11.6%
		Profit before tax	77.0	8.4%	(20.5)	-2.2%	65.8	7.0% 101.9 10.6%
		Profit for the period	45.7	5.0%	(21.8)	-2.4%	46.5	4.9% 69.4 7.2%
		ADJUSTED EBITDA	150.2	16.4%	52.7	5.8%	118.3	12.6% 160.5 16.7%
		ADJUSTED EBIT	104.4	11.4%	6.9	0.8%	71.8	7.6% 111.8 11.6%
2019 Revenues - % by region		Main Balance Sheet indicators (euro mn)						
								
		12.31.19	12.31.19 net of non- recurring income	12.31.18	12.31.18	12.31.17	12.31.17	
		Net working capital (**)	344.6	344.6	314.4	261.3		
		Intangible and tangible fixed assets	741.1	741.1	808.6	802.9		
		Shareholders' equity	1,080.5	1,013.1	1,064.7	1,087.2		
		Net financial indebtedness/(surplus)	451.2	592.6	(75.3)	9.3		
		Capital expenditures	47.3	47.3	44.0	36.6		
		Adjusted net financial indebtedness/(surplus)	12.1	153.5	75.3	(9.3)		
<small>(**) Trade receivable + inventories - trade payables</small>								
2019 Revenues - % by product		Financial key indicators (euro mn)						
								
		12.31.19	12.31.19 net of non- recurring income	12.31.18	12.31.18	12.31.17	12.31.17	
		Operating cash flow	115.4	115.4	30.6	165.8		
		Net operating cash flow	98.5	98.5	25.4	148.2		
		Cash flow generated/(used)	(12.7)	(154.1)	(32.4)	(6.3)		
		Cash flow operativo netto adjusted	6.9	6.9	25.4	148.2		

(*) The main economic and balance sheet indicators of the Group in the 2019 were significantly affected by the application of the new accounting standard IFRS 16, relating to the accounting treatment of lease agreements, which was applied for the first time starting from January 1st, 2019. As illustrated more in detail successively for the purpose of comparability of some performance indicators, the following "adjusted" indicators have been introduced, which do not include the impacts deriving from the application of IFRS 16: EBITDA, EBIT, Net invested capital, Net financial position and Net cash flows from operations.

Highlights of results

Revenues: 2019 revenues of 916 million euros, decreased by 2.6% in respect to 2018. The Retail channel had sales of 645.8 million euros (+6.2%).

EBITDA: EBITDA adjusted totaled 150.2 million euros (118.3 million euros in 2018). The ratio of EBITDA to sales is 16.4%. Net of non-recurring incomes of the year for about 97.5 million euros, EBITDA adjusted would be 52.7 million euros, with a ratio of 5.8%.

EBIT: EBIT adjusted totaled 104.4 million euros (71.8 million euros in 2018). The ratio of EBITDA to sales is 11.4%. Net of non-recurring incomes of the year for about 97.5 million euros, EBIT adjusted would be 6.9 million euros, with a ratio of 0.8%.

Net profit: consolidated profit for FY 2019 was 45.7 million euros (46.5 million euros in year 2018).

Net financial indebtedness (NFI): NFI totaled to 12.1 million euros (in year 2018 was 75.3 million euros); this indicator is significantly affected by the application of the IFRS 16 accounting standard (financial lease liability equal to 439.1 million euros).

Capital expenditure: amount to 47.3 million euros capital expenditures occurred in 2019; they were 44 million euros in 2018.

Distribution network: a total of 24 new DOS were opened during the financial year. At December 31st, 2019 the single brand distribution network comprised 290 DOS and 115 franchised stores.

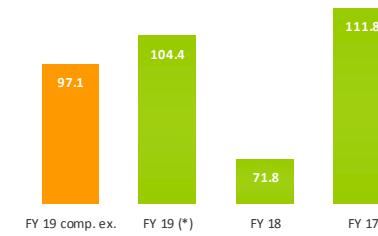
Revenues (euro mn)



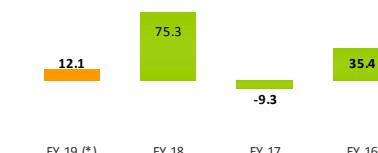
EBITDA (euro mn)



EBIT (euro mn)



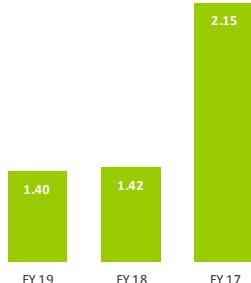
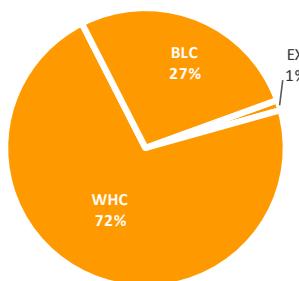
Net financial indebtedness/(surplus) (Euro mn)



(*) Adjusted data which include the effects of non-recurring transactions occurred during FY2019

Main stock Market indicators (euro)

Official price at 01.02.2019	42.56
Official price at 12.30.2019	41.22
Minimum price	38.86
Maximum price	51.35
Market capitalization at 01.02.2019	1,408,461,020
Market capitalization at 12.30.2019	1,364,115,678
Dividend per share 2018	1.00
Dividend per share 2017	1.40
Number of outstanding shares at 12.31.19	33,093,539

Earning per share (euro)**Stock performance****2019 Group's employees****The Group's employees**

	FY 19	FY 18	FY 17	FY 16
Year to date	4,815	4,705	4,627	4,485
Average	4,786	4,672	4,572	4,514

EX = executives

WHC = white collar employees

BLC = blue collar employees

Introduction

In accordance with article 40 paragraph 2 *bis* of the Legislative Decree n. 127 of April 9th, 1991, the Parent company has prepared the Report of the Board of Directors on Operations as a single document for both the separate financial statements of TOD'S S.p.A. and the Group consolidated financial statements.

The Report on Operations must be read together with the Financial Statements and Notes to the Financial Statements, which are an integral part of both the Consolidated Annual Report and the separate financial statements. The Report on Operations also includes the additional information required by CONSOB, pursuant to the orders issued in implementation of Article 9 of Legislative Decree 38/2005 (Resolutions 15519 and 15520 of July 27th, 2006 and memorandum DEM/6064293 of July 28th, 2006, as well as all subsequent notices containing provisions regarding financial disclosures).

In order to strip the effects of changes in exchange rates with respect to the average values for the previous year from the results for the 2019 financial year, the typical economic reference indicators (Revenues, EBITDA, and EBIT) have been recalculated by applying the average exchange rates for 2018, rendering them fully comparable with those for the previous reference period. Note that on the one hand, these principles for measurement of business performance represent a key to interpretation of results not envisaged in IFRSs, and on the other hand, must not be considered as substitutes for what is set out in those standards. To determine EBITDA in particular, as already mentioned, does not give us unequivocal quantitative information because it is not recognised as an accounting measurement in international accounting standards (IFRS/IAS). It is a measurement used by the Management of the company to monitor and assess the performance of its operations. The Management believes that EBITDA is an important parameter for measuring the company's operational performance because it is not influenced by the effects of the application of the various criteria for calculating taxable income, the amount and characteristics of invested capital and the related amortisation policies. The criterion that the company applies to determine EBITDA might not correspond to that applied by other companies or groups and so its value might not be comparable to that determined by such other companies or groups.

Moreover, the Report on Operations includes non-financial statement related to the fiscal year 2019 in accordance with articles 3 and 4 of the Legislative Decree n. 254 of December 23rd, 2016.

Group's activity

TOD'S Group operates in the luxury sector under its own brands TOD'S, HOGAN, FAY and ROGER VIVIER. It actively creates, produces and distributes shoes, leather goods and accessories, and apparel.

The Group's organizational configuration rotates around TOD'S S.p.A. that is at the heart of the Group's organization, its parent company owns TOD'S, HOGAN, FAY and, under a license agreement, ROGER VIVIER brands, the latter owned by the subsidiary Roger Vivier S.p.A. Through a series of sub-holdings, the organization is rounded out by a series of commercial companies that are delegated complete responsibility for both retail distribution, through the DOS network, and on line sales. 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.

The 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.

The prestige of the 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 the following distribution channels: DOS (directly operated stores), e-commerce website, franchised retail stores and a series of selected, independent multibrand stores.

Main events and operations during the year of TOD'S Group

In the year that has just come to an end, the international context in which the Group operates underwent global political and trade tensions that led to a general slowdown in the world economy, giving rise to a climate of market uncertainty and volatility.

For a large part of the year the tension in the trade relations between the USA and China had consequences on general consumer propensity, especially in the US market, and also affected migration flows among Chinese, and more generally all Asian luxury shoppers. The adverse effects were seen above all in the indirect channel market.

The EU currency's weakness made a positive contribution to the support of tourist flows towards European countries but the favourable effect on consumption only partially offset feeble domestic demand.

On the contrary, domestic demand recovered in mainland China not only as a result of lower outgoing tourist flows but also, more generally, owing to government policies directed at encouraging local purchases and the acceleration of the digital channel, driven by purchasing on the part of the very latest generation. In the Greater China area, however, political tensions escalated, which significantly affected performance in the Hong Kong market, a very important one for the entire sector.

In this market scenario, the Group's performance showed a reduction of 2.6% in total revenues, mainly owing to the weak performance of the indirect channel, only partially offset by the favourable trend of the retail channel (+6.2% recorded by sales in the direct channel), which was also supported by a positive contribution from online sales, which recorded a strong double-digit growth.

Standing out in the overall performance of the Group is the ROGER VIVIER brand, which grew by 15.5% and, after the change in stylistic direction, confirmed its appeal for customers belonging to the most exclusive international luxury segment.

The operating results for the period were affected by the sales trend and, largely, by a rise in some operating costs which, in accordance with business development strategies, are necessary to ensure a return to medium-term growth. A considerable amount of financial resources was put into both new style projects and a new communication strategy serving to sustain and reinforce the positioning of the Group's brands in the present international market scenario and enhance product desirability in order also to attract new groups of consumers.

In this scenario, a new Creative Director of the TOD'S brand arrived. With his help we will be able to continue with the process of innovation of our brand products from the next winter collection onwards, meeting the present demands of our international clientele and combining modernity with the Italian lifestyle that distinguishes the TOD'S brand and always observing those quality standards of craft excellence that have always been acknowledged as a distinctive feature of the DNA of all our Group's brands. Another style venture is our collaboration with Alber Elbaz, the

talented eclectic designer who is the creator of a capsule collection for the TOD'S brand within the scope of T-Factory, a major style project that is to continue in the future with new chapters to add to the brand's iconic product range.

As regards the Group's distribution policy, business growth strategies are directed at the development and integration of the retail channel by making massive investments in both the directly operated distribution network and its natural evolution into omnichannel marketing by means of interconnection with the digital channel. The direct channel is continuing to develop both through the expansion of the DOS network and the improvement of the existing network, maintaining the most prestigious locations where important strategic flagship stores are situated and restyling operations with a strong communicative impact suitable for integration with the online channel. It is with this in view that the innovative TOD'S brand boutique was inaugurated in Via Montenapoleone, in Milan, designed with the stores of the future in mind: these are stores that reinterpret the traditional retail store in order to render it an instrument for communicating with customers and providing them with services, interconnected with the digital channel.

A development that accelerated this process of integration of the retail channel was the completion of the merger project, with effect from December 31st, 2019, between parent company TOD'S S.p.A. and subsidiary Italiantouch S.r.l., which sells the products of the four Group brands online. Particularly as a result of the increasingly closer integration of TOD'S organisational units, the effectiveness and efficiency of operating process will improve rapidly, enhancing the advantages and opportunities in sales and distribution offered by omnichannel marketing.

Furthermore, it should be noted that, again in the same segment and again with effect from 31 December 2019, the process was completed for the merger of Del.Com. S.r.l., a retail company that operates more than 30 DOSs in Italy, by incorporation into TOD'S S.p.A.. The process will bring some operating advantages in Italian retail outlet management, above all advantages from interconnection between offline and online channels.

Finally, another development in the Group's monitoring and enhancement of its distribution network was its decision to transfer the TOD'S flagship store in Tokyo from Omotesando to a busier area of the city. This gave the Group the opportunity to sell its Omotesando property, home not only to the flagship store itself but to its regional offices, at a time at which the Japanese property market was at its highest value. Specifically, on 30 October 2019, there was the completion of the sale of the property at a price of Euro 156 million, which allowed the Group to realise a gross capital gain of Euro 97.5 million. On the other hand it should be noted that, with effect from 9 December 2019, there was the completion of the merger of Holpaf B.V., a

wholly-owned subsidiary which was the owner of the abovementioned property, by incorporation into TOD'S S.p.A..

The Group's results in 2019

Preamble

The Group's main economic and financial indicators for 2019 were significantly impacted by the application of the new accounting standard IFRS 16, governing the accounting treatment of leases, which was adopted for the first time as from January 1st, 2019.

As explained in detail in the explanatory notes, the Group, in adopting the modified retrospective approach, has not restated the figures for previous periods and, therefore, for the purposes of comparability of some performance indicators, the following adjusted indicators have been adopted, which do not include the effects resulting from the application of IFRS 16: EBITDA, EBIT, Net invested capital, Net financial position and Net cash flow from operations.

The effects of the adoption of this new standard on the financial ratios take the form of the removal of lease rentals accrued in the period from the income statement, falling within the scope of application of IFRS 16, which leads to a substantial improvement in gross operating margin (EBITDA); this cost item is replaced by the recognition of amortisation of right-of-use assets through profit or loss, which have an adverse impact on the operating result (EBIT) and by the recognition of interest on lease liabilities. It should be noted, on the other hand, that the combined effect of amortisation of right-of-use assets on a straight-line basis and the utilisation of the incremental debt ratio, for the purposes of the calculation of the present value of future lease payments subject to IFRS 16, is that financial costs in the income statement are higher in the first years of a lease, to diminish subsequently. This non-linear trend in financial costs, therefore, generated an overall temporary adverse impact on the result for the period, unlike the impact that there would have been applying the previous IAS 17, although the impact will be reabsorbed when the terms of the leases treated in conformity to the new standard expire.

As far as the balance sheet indicators are concerned, net invested capital increased during the year due to the recognition of right-of-use assets, while the net financial position was penalised, due to the recognition of lease liabilities.

Finally, as regards the cash flow, there are no impacts on total cash flows resulting from the adoption of IFRS 16; the cash flows are only reported differently in the Cash Flow Statement. Specifically, amortisation on right-of-use assets and the accruing financial costs, recognised on lease liabilities, are reported among non-monetary items, with a consequent improvement in cash flows from operating activities, while interest paid on lease liabilities is recognised in net

operating cash flows. On the other hand, cash flows from financing activities report the payments relating to the nominal value of lease liabilities.

Furthermore, it should be noted that the comments reported below relate to adjusted values, i.e. net of the effect of the adoption of IFRS 16, if expressly stated.

Finally, it should be noted that the economic and financial effects arising from the sale of the property in Omotesando, as commented on above, have been considered, for information purposes, as relating to a non-recurring significant transaction in accordance with CONSOB communication DEM/6064293 of 28 July 2006. This document, therefore, will also present economic and financial ratios net of non-recurring transactions where necessary for the purposes of a correct understanding of operating results.

The results in 2019

Consolidated sales were 916 million euros, decreased by 2.6% in respect to 2018 turnover when it was 940.5 million euros. The impact of currency fluctuations was positive: at constant exchange rates, sales revenue would have been 905.6 million euros, showing a negative variation of 3.7% in respect to 2018.

Operating margins, EBITDA and EBIT, were 255.4 million euros and 101.1 million euros respectively (while at a constant exchange rate would have been 245.2 and 93.9 million euros).

Adjusted EBITDA and EBIT amounted to 150.2 and 104.4 million euros respectively, accounting for 16.4% and 11.4% of consolidated revenues. Adjusted EBITDA and EBIT amounted to 142.4 and 97.1 million euros, accounting for 15.7% and 10.7% of consolidated revenues, at constant exchange rates.

Furthermore, it should be noted that adjusted EBITDA and EBIT, net of non-recurring proceeds recognised in 2019, equal to 97.5 million euros, would amount to 52.7 and 6.9 million euros, respectively, accounting for 5.8% and 0.8% of consolidated revenues.

Consolidated net profit was 45.7 million euros, substantially in line with that recorded in 2018, when it amounted to 46.5 million euros, although it benefitted from the abovementioned non-recurring transaction.

euro 000's	Year 19	Year 18	Change	%
Main economic indicators				
Sales Revenues	915,983	940,499	(24,517)	(2.6)
EBITDA	255,396	118,335	137,061	115.8
Deprec., amort., write-downs and provisions	(154,336)	(46,575)	(107,760)	231.4
EBIT	101,060	71,760	29,301	40.8
Profit before taxes	76,971	65,751	11,220	17.1
Profit for the period	45,659	46,458	(799)	(1.7)
Foreign exchange impact on revenues	(10,415)			
Sales Revenues at constant exchange rates	905,568	940,499	(34,931)	(3.7)
Foreign exchange impact on operating costs	170			
EBITDA at constant exchange rates	245,151	118,335	126,816	107.2
Foreign exchange impact on deprec.& amort.	3,081			
EBIT at constant exchange rates	93,897	71,760	22,137	30.8
EBITDA %	27.9	12.6		
EBIT %	11.0	7.6		
EBITDA % at constant exchange rates	27.1	12.6		
EBIT % at constant exchange rates	10.4	7.6		
Tax Rate %	40.7	29.3		

euro 000's	Year 19	%
Reconciliation of main economic indicators		
EBITDA (a)	255,396	27.9
IFRS 16 rents (b)	105,173	
Adjusted EBITDA (c) = (a) - (b)	150,223	16.4
Amortiz., deprec. and write-downs (*) (d)	(45,857)	
Adjusted EBIT (c) + (d)	104,366	11.4

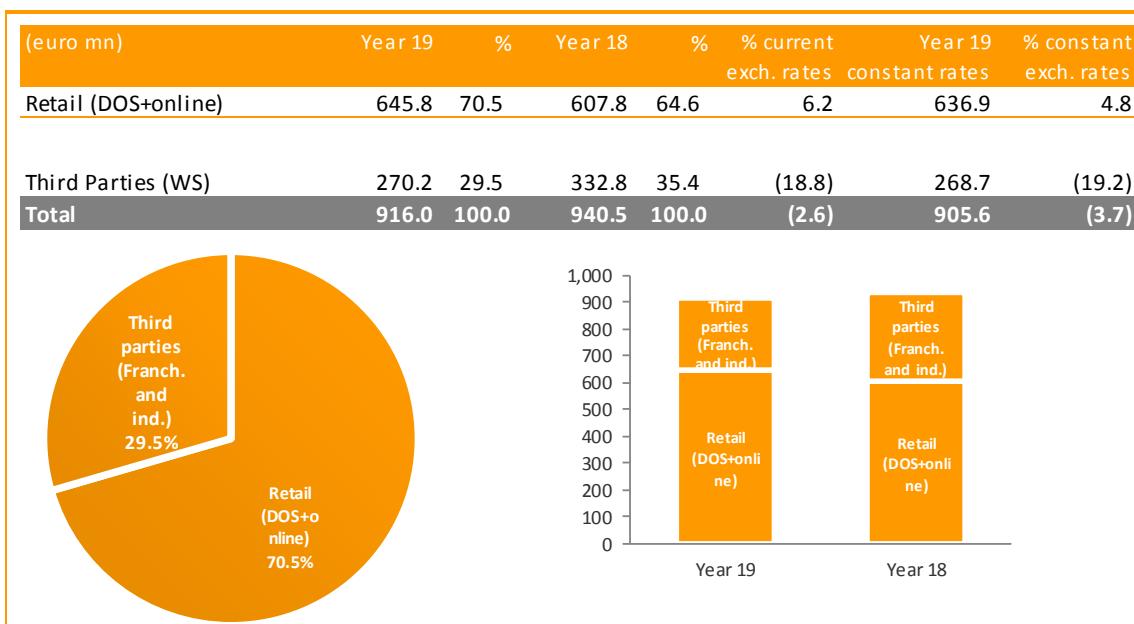
(*) Excluded depreciations and write off of right of use assets

euro 000's	12.31.19	12.31.18	Change
Main Balance Sheet Indicators			
Net working capital (*)	344,610	314,401	30,210
Right of use assets	446,126		446,126
Intangible and tangible fixed assets	741,141	808,598	(67,457)
Other current assets/liabilities	(168)	16,951	(17,119)
Net assets held for sale			
Invested capital	1,531,710	1,139,950	391,760
Net financial indebtedness/(surplus)	(451,162)	(75,252)	(375,910)
Shareholders' equity	1,080,548	1,064,699	15,849
Capital expenditures (**)	47,305	43,985	3,319
Net cash flows from operating activities	98,537	25,431	73,106
Cash flow generated/(used)	(12,736)	(32,355)	19,619
(*) <i>Trade receivable + inventories - trade payables</i>			
(**) <i>Right of use assets are not included</i>			

euro 000's	12.31.19	12.31.18	Change
Reconciliation of main balance sheet indicators			
Invested capital (a)	1,531,710	1,139,950	391,760
Right of use assets (b)	446,126		446,126
Adjusted invested capital (a) - (b)	1,085,584	1,139,950	(54,367)
 Net financial indebtedness/(surplus) (a)	451,162	75,252	375,910
Non-current lease liabilities	344,201		344,201
Current lease liabilities	94,879		94,879
Total lease liabilities (b)	439,080		439,080
Adjusted Net financial indebtedness/(surplus) (a) - (b)	12,082	75,252	(63,170)
 Net cash flows from operating activities (a)	98,537	25,431	73,106
Repayments of lease liabilities (b)	(91,645)		(91,645)
Adjusted net cash flows from operating activities (a)+(b)	6,892	25,431	(18,539)

Revenues. In fiscal year 2019, consolidated sales were 916 million Euros, down 2.6% from 2018. Revenues amounted to 238.3 million Euros in the fourth quarter of 2019, up 1.7% from Q4 2018. In 2018, currency fluctuations gave a positive contribution, particularly to the TOD'S and ROGER VIVIER brands, which have the greatest presence abroad. At constant exchange rates, meaning by using the average exchange rates of 2018, including the related effects of hedging contracts, sales would have been 905.6 million Euros.

In 2019, retail revenues totaled 645.8 million Euros, up 6.2% from 2018, and represent more than 70% of the Group's turnover. On a homogeneous basis, the increase in sales of this channel was 4.4% in the fourth quarter of the year, thanks to the double-digit growth of e-commerce and the contribution of the new openings.



The Same Store Sales Growth (SSSG) rate, calculated at constant exchange rates as the worldwide average of sales growth rates registered by the DOS network, is -4.0% in the year, progressively improving in the last months.

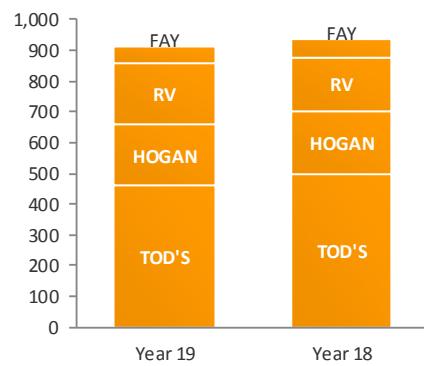
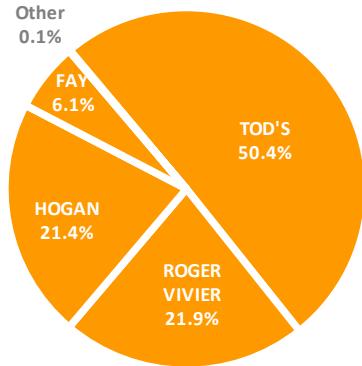
At reported rates, this figure improves by more than 100 bps. As of December 31st, 2019 the Group's distribution network was composed by 290 DOS and 115 franchised stores, compared to 284 DOS and 120 franchised stores as of December 31st, 2018.

Revenues to third parties totaled 270.2 million Euros; the double-digit decline is mainly due to the weakness of the domestic and European markets.

TOD'S sales totaled 461.8 million Euros in 2019; positive results in the retail channel. Healthy start of the new T Timeless project, both for shoes and leather goods.

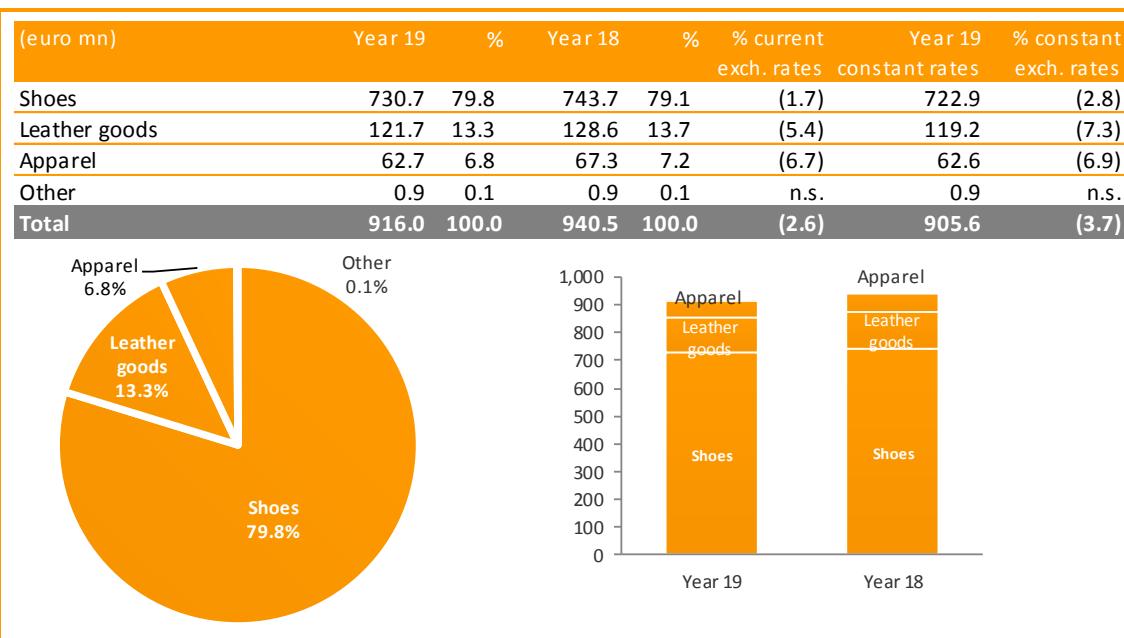
Revenues of ROGER VIVIER amounted to 200.5 million Euros, up 15.5% from 2018. The brand registered positive results in all the geographical areas in which it operates; excellent feedback on new product families. HOGAN sales totaled 196.5 million Euros; double-digit growth in Greater China, despite the delicate situation in Hong Kong.

(euro mn)	Year 19	%	Year 18	%	% current exch. rates	Year 19	% constant exch. rates
TOD'S	461.8	50.4	498.7	53.0	(7.4)	455.3	(8.7)
ROGER VIVIER	200.5	21.9	173.5	18.5	15.5	197.3	13.7
HOGAN	196.5	21.4	206.1	21.9	(4.7)	195.8	(5.0)
FAY	56.3	6.1	61.3	6.5	(8.0)	56.3	(8.1)
Other	0.9	0.1	0.9	0.1	n.s.	0.9	0.2
Total	916.0	100.0	940.5	100.0	(2.6)	905.6	(3.7)



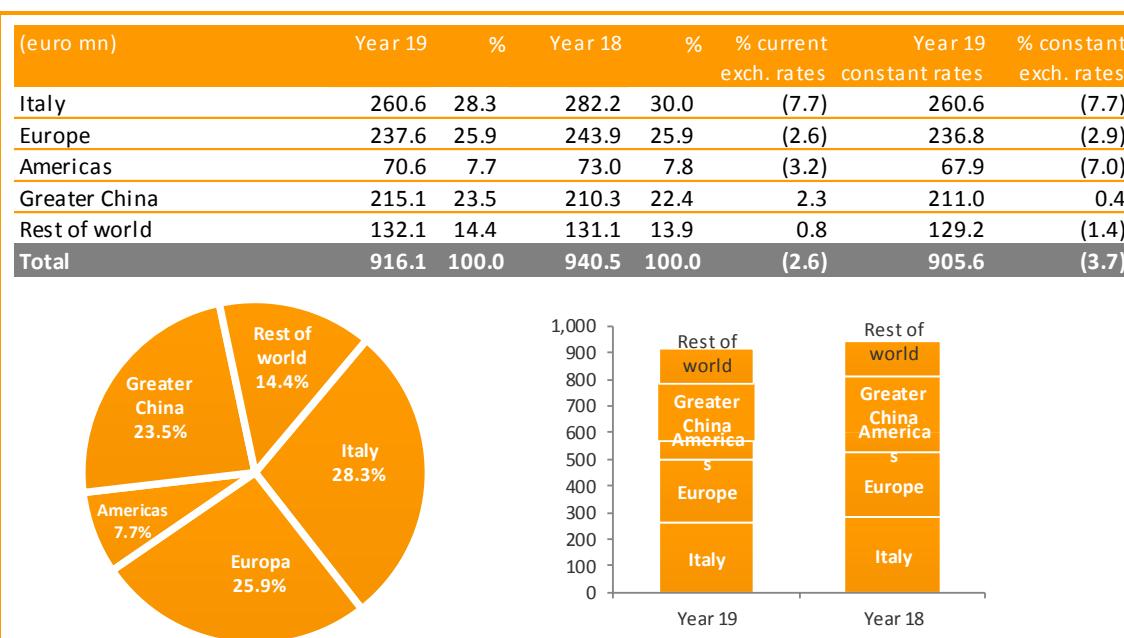
Finally, sales of FAY amounted to 56.3 million Euros; the decrease, as compared to 2018, is mainly due to the weakness of the Italian market .

Revenues from shoes amounted to 730.7 million Euros in 2019; positive trend in the fourth quarter of the year. Sales from leather goods and accessories totaled 121.7 million Euros. The new lines of handbags of the TOD'S brand are registering positive feedback. Finally, sales from apparel amounted to 62.7 million Euros; the trend broadly reflects the performance registered by the FAY brand.



In 2019, domestic sales amounted to 260.6 million Euros; the performance in the fourth quarter of the year was positive, with an improvement in the trend of both distribution channels.

In the rest of Europe, the Group's revenues totaled 237.6 million Euros; the fourth quarter of the year was positive, thanks to the contribution of retail.



In the Americas sales amounted to 70.6 million Euros; also in this region, the fourth quarter registered a positive performance, with an improvement in results on both the distribution channels. The Group's sales in Greater China totaled 215.1 million Euros, up 2.3% from 2018. The positive results recorded in Mainland China, which represents more than 60% of this region, were partially offset by the sharp slowdown in the Hong Kong market, due to well-known political tensions.

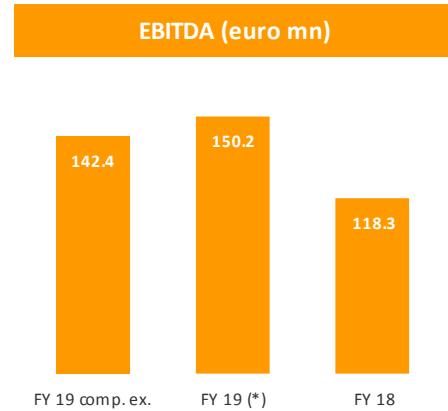
Finally, in the area "Rest of the World" the Group's revenues were 132.1 million Euros, up 0.8% from 2018.

Operating results. In 2019 the Group's EBITDA came to 255.4 million euros (118.3 million euros in 2018), accounting for 27.9% of consolidated revenues (12.6% in 2018). In 2019 adjusted EBITDA amounted to 150.2 million euros, for a percentage impact of 16.4% on sales. However, it should be noted that the gross operating result benefitted from non-recurring proceeds of 97.5 million euros, arising from the sale of the building in Omotesando, as commented on above.

Net of these non-recurring proceeds, adjusted EBITDA would have been equal to 52.7 million euros for a percentage impact of 5.8% on sales. The exchange rate effect on the operating result was not particularly significant; at constant exchange rates, or with the application of average cross rates from the previous period, EBITDA would come to about 245.2 million euros, representing 27.1% of sales revenues at constant exchange rates. Adjusted EBITDA, at constant exchange rates, would be equal to 142.4 million euros, equal to 15.7% of revenues, while, net of proceeds arising from non-recurring transactions that took place in 2019, the abovementioned indicator would be equal to 51.1 million euros, for a percentage impact of 5.6% of revenues from sales.

The operating results for the period, net of the above effects of non-recurring transactions, are affected by the trend of revenues, previously commented and, largely, the increase in certain operating costs which, in conformity to the business strategies that the Group is implementing, are necessary in order to generate a return to medium-term growth.

In a scenario of strong competition and market volatility in which the Group's performance has weakened, mainly in the wholesale family and in some product families, it is especially necessary to sustain and consolidate the positioning of the Group's brands by means of new style projects and a new communication strategy.



(*) *Adjusted EBITDA*

A large amount of financial resources, therefore, has been directed to the retail channel, namely both to making improvements to the direct distribution network and to developing the digital channel, which is expected to yield appreciable results even in the short term, also owing to the advantages and sales and distribution opportunities offered by omnichannel marketing.

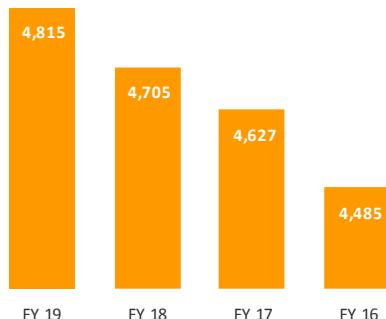
A detailed analysis of performances for the period shows that gross margin profitability is practically unchanged thanks to the positive contribution of sales in the retail channel, whose profit margins are higher. These at least partially cushioned the increase in operating costs that has been mentioned. Communication costs rose as has already been said. There was a considerable increase in the amount devoted to increasing Group brand awareness and enhancing the visibility of the new collections. Costs for leases and rentals (locations and royalties payable) came to 160.9 million (not considering the effects of IFRS 16), showing sharp growth compared to 2018 (142.1 million euros). The increase is due to an increase in rentals for the direct distribution network, the natural consequence of both the Group's DOS network expansion strategy and the renewal of the leases of important flagship stores, key factors in consolidating the positioning of the brands in the most exclusive luxury bracket. The impact on revenues then increased from 15.1% in 2018 to 17.6% of the current period.

Increased the cost incurred for salaries payable to the personnel working for the Group coming to 213.9 million euros in 2019 against 198.4 million euros in 2018. The performance is substantially linked to the increase in the workforce, mainly owing to the expansion of the direct distribution network and the strengthening of the corporate functions. At December 31st, 2019 the number of employees are 4,815 showing an increase of 110 people with respect to December 31st, 2018, accounting for 23.4% of the Group revenues at December 31st, 2019 against 21.1% in 2018.

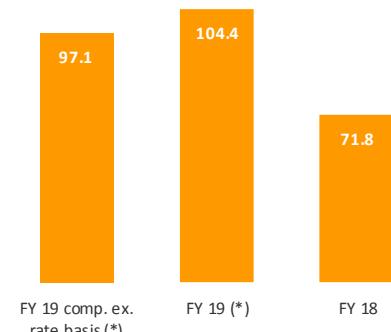
Amortisation and depreciation of fixed assets for 2019, excluding those relating to right-of-use assets equal to 105.3 million euros (including write-downs for impairment for 3.2 million euros), amounted to a total of 43.9 million, against 43.1 million in 2018. No impairment of intangible assets and property, plant and equipment was reported in 2019 (in addition to that relating to right-of-use assets for 3.2 million euros), against write-downs of 1.4 million reported in 2018.

At December 31st, 2019 amortisation and depreciation, net of the effects of IFRS 16, accounted for 4.8% of the Group revenues, substantially in line with the value posted in the previous year (4.7% in 2018).

GROUP'S EMPLOYEES

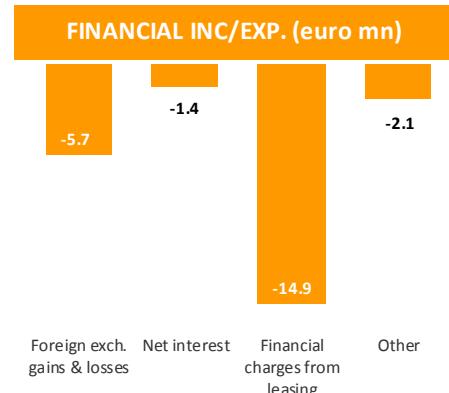


EBIT (euro mn)

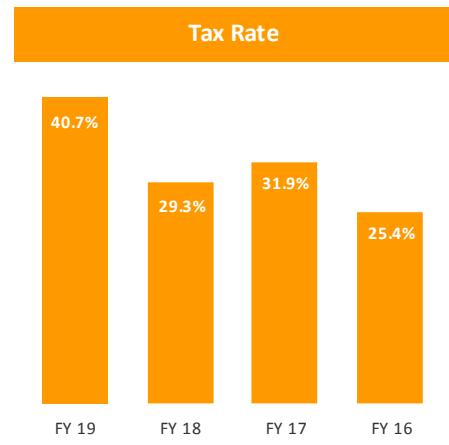


(*) *Adjusted EBIT*

Net of additional provisions totalling 2 million euros, EBIT for the period came to 101.1 million euros (71.8 million euros in 2018), representing 11% of consolidated sales (7.6% in 2018). At constant exchange rates EBIT would be equal to 93.9 million euros for a ratio on sales that would decrease to 10.4%.



Adjusted EBIT amounted to 104.4 million euros, for a percentage impact of 11.4% of consolidated sales. Furthermore, net of non-recurring proceeds recognised in 2019, adjusted EBIT would be equal to 6.9 million euros, for a percentage impact of 0.8% on consolidated revenues. The balance of financial income and expenses is negative for 9.2 million euros, without considering the effects arising from the adoption of IFRS 16, affected by the performance of cross rates of some currencies with which the Group operates.

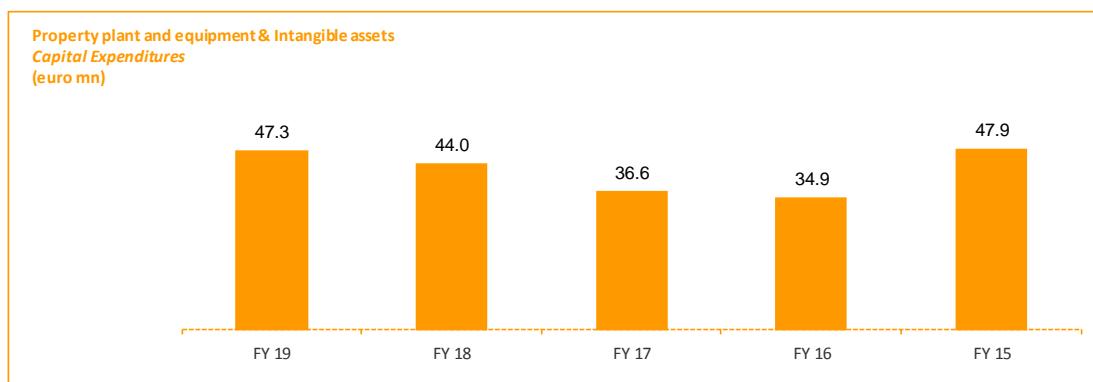


The balance includes interest expense of 1.2 million euros on medium/long-term loans. While also including the effects arising from the adoption of IFRS 16 (financial costs accrued on lease liabilities), equal to 14.9 million euros, the balance of financial income and expenses is negative for 24.1 million euros. The adverse impact of the adoption of IFRS 16 on financial costs diminishes over time throughout the term of leases and therefore the 2019 financial period is that in which these costs will have most weight; they will weigh less in subsequent periods.

Income taxes for the year amounted to 31.3 million euros, including the effects of deferred taxes, at a tax rate that comes to 40.7%, showing an increase compared to 29.3% in 2018, which was impacted by a prudent write-down of some receivables for deferred tax assets, relating to some subsidiaries. The tax associated with non-recurring proceeds recognised in 2019 is equal to about 30.1 million.

At December 31st, 2019 the 2019 consolidated profit, equal to 45.7 million euros (against 46.5 million euros in 2018), accounted for 5.0% of consolidated revenues against 4.9% in 2018.

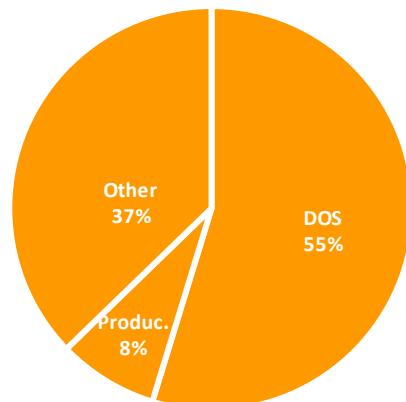
Capital expenditures. Investments in 2019 totalled 47.3 million, showing an increase compared to the previous year when they amounted to 44 million euros.



The Group invested an amount of about 25.9 million euros (against 23 million euros at December 31st, 2018) in the setting up of new DOS, among which note the new TOD'S boutique at Via Montenapoleone in Milan in terms of significance and strategic importance, and in the renovations and relocations of existing stores.

Capital expenditures for production amount to 3.8 million euros, invested for the normal process of refurbishment of facilities and upgrading of industrial equipment (mainly forms, dies and moulds).

INVESTMENTS BY ALLOCATION



The additional investments of the period were mainly done for the development of business management systems (software) among which the ones related to the digital channel, and to its integration into the Group's distribution network, aimed at the development of multi-channels.

Net financial indebtedness and cash flow. At December 31st, 2019 the net financial indebtedness came to 451.2 million euros and included lease liabilities arising from the adoption of IFRS 16, equal to 439.1 million euros: therefore, net of these liabilities, the net financial debt would have been equal to 12.1 million euros (to be compared to that posted in 2018, when it was equal to 75.3 million euros). Cash and cash equivalents (cash and bank deposits) amounted to 184.1 million euros, while financial liabilities amounted to 635.2 million euros, including lease liabilities of 439.1 million euros, as reported above.

euro 000's	12.31.19	12.31.18	Change
Net financial indebtedness	12.31.19	12.31.18	Change
Current financial assets			
Cash and cash equivalents	184,072	191,268	(7,196)
Cash (A)	184,072	191,268	(7,196)
Current financial liabilities			
Current account overdraft	23,463	17,924	5,539
Current share of medium-long term financing	88,668	170,792	(82,124)
Current lease liabilities	94,879		94,879
Current financial liabilities (B)	207,009	188,715	18,294
Current net financial indebtedness/(Surplus) (C) = (B) - (A)	22,937	(2,553)	25,490
Non-current financial liabilities			
Financing	84,023	77,804	6,219
Passività per leasing non correnti	344,201		344,201
Non-current financial indebtedness (D)	428,225	77,804	350,420
Net financial indebtedness/(surplus) (C) + (D)	451,162	75,252	375,910

euro 000's	12.31.19	12.31.18	Change
Adjusted net financial indebtedness	12.31.19	12.31.18	Change
Net financial indebtedness/(surplus) (a)	451,162	75,252	(375,910)
Current lease liabilities	94,879		(94,879)
Non-current lease liabilities	344,201		(344,201)
Total lease liabilities (b)	439,080		(439,080)
Adjusted Net financial indebtedness/(surplus) (a) - (b)	12,082	75,252	63,170

euro 000's	Year 19	Year 18
Statement of cash flows		
Net Cash and cash equivalents at the beginning of the period	173,344	205,699
Cash flows from operating activities	115,391	30,640
Interests and taxes collected/(paid)	(16,853)	(5,209)
Net cash flows from operating activities	98,537	25,431
Cash flow generated (used) in investing activities	92,718	(61,615)
Cash flow generated (used) in financing activities	(200,700)	4,786
Translation differences	(3,291)	(956)
Net Cash and cash equivalents at the end of the period	160,609	173,344

euro 000's	Year 19	Year 18
Statement of cash flows		
Net cash flows from operating activities (a)	98,537	25,431
Repayments of lease liabilities (b)	(91,645)	
Adjusted net cash flows from operating activities (a)+(b)	6,892	25,431

Operating activities during the year generated cash of 115.4 million euros (against 30.6 million euros in 2018). The figure benefitted from the effects arising from the adoption of IFRS 16; adjusted operating cash flows amounted in fact to 10.6 million euros. Net of taxes and interest expense, Cash Flows from operating activities amounted to 98.5 million euros (against 25.4 million euros at December 31st, 2018), while adjusted net operating cash flows amounted to 6.9 million euros. The cash absorption for the period was mainly due to the business performance commented on above, as well as to a greater absorption at the operating working capital level, which is the result of a normal increase connected with the expansion of the direct distribution network.

Cash flows from investing activities represent cash flows invested in fixed assets and benefitted, for 141.4 million euros, from the amount collected from the sale of the building located in Omotesando in Japan, as noted above, stated net of related tax advances paid by the end of the year. In 2019 cash flows from financing activities included the distribution of dividends for 33.1 million euros and the loans that were raised and repaid in the year (a total investment of 76 million euros), as well as the payment of the nominal value of lease liabilities equal to 91.6 million euros. The loans raised in the period were disbursed out on practically the same financial terms as those maturing, confirming the Group's strong capacity to raise finance.

Report on operations of parent company TOD'S S.p.A.

The 2019 financial year was significantly impacted by the adoption of the new accounting standard IFRS 16, governing the accounting treatment of leases, which was adopted for the first time from January 1st, 2019.

As explained in detail in the explanatory notes, the Company, adopting the modified retrospective approach, did not restate the figures for previous periods and, therefore, for the purposes of comparability of certain performance indicators, the following adjusted indicators were adopted, i.e. not including the effects arising from the adoption of IFRS 16: EBITDA, EBIT, Net invested capital, Net financial position and Net cash flows from operating activities.

Furthermore, the year just ended was also significantly impacted by the following merger transactions:

- Merger by incorporation of Del.Com. S.r.l., which is wholly owned by TOD'S S.p.A., which took place by a deed dated December 23rd, 2019 and which became effective from December 31st, 2019. For accounting and tax purposes, the effects of the abovementioned merger were charged to the merging company's financial statements as from January 1st, 2019;
- Merger by incorporation of Italiantouch S.r.l., which is wholly owned by TOD'S S.p.A., which took place by a deed dated November 19th, 2019 and which became effective from December 31st, 2019. For accounting and tax purposes, the effects of the abovementioned merger were charged to the merging company's financial statements as from January 1st, 2019;
- Cross-border merger by incorporation of Holpaf B.V., a Dutch company that is wholly owned by TOD'S S.p.A., which took place by a deed dated December 9th, 2019. For accounting and tax purposes, the effects of the abovementioned merger were charged to the merging company's financial statements as from the date of registration of the abovementioned deed of merger with the register of companies, i.e. from December 9th, 2019.

In applying OPI (*Orientamento Preliminare*, Preliminary Guidance) document No. 2 (revised) issued by Assirevi (the Italian Auditors' Association), in order to make the effects of the above merger transactions as reported in the income statement for 2019 comparable with those reported in the income statement for 2018, pro-forma income statement schedules have been prepared that show the 2018 comparative data, including the effects of these mergers as if they had taken place in 2018. The pro-forma income statement for 2018, therefore, is shown below, compared with that of the 2019 period, which, again, in order to make comparison easier, does not include the effects of the adoption of IFRS 16 ("adjusted data"), which had not been adopted yet in the previous year.

euro 000's	2018		2019			
	Pro-forma data	%	Adjusted (*)	%	Change	%
Revenues						
Sales revenues	665,435	100.0%	606,834	100.0%	(58,600)	-8.8%
Other income	6,909	1.0%	6,997	1.2%	88	1.3%
Total revenues and income	672,343	101.0%	613,831	101.2%	(58,512)	-8.7%
Operating costs						
Change in inventories of work in progress and finished goods	30,989	4.7%	3,026	0.5%	(27,962)	-90.2%
Cost of raw materials, supplies and material for consumption	(253,432)	-38.1%	(223,267)	-36.8%	30,165	-11.9%
Costs for services	(198,396)	-29.8%	(191,990)	-31.6%	6,406	-3.2%
Costs of use of third party assets	(43,163)	-6.5%	(51,177)	-8.4%	(8,015)	18.6%
Personnel costs	(102,337)	-15.4%	(107,088)	-17.6%	(4,752)	4.6%
Other operating charges	(16,635)	-2.5%	(17,492)	-2.9%	(857)	5.2%
Total operating costs	(582,973)	-87.6%	(587,988)	-96.9%	(5,014)	0.9%
EBITDA	89,370	13.4%	25,843	4.3%	(63,526)	-71.1%
Amortisation, depreciation and write-downs						
Amortisation of intangible assets	(7,925)	-1.2%	(8,407)	-1.4%	(482)	6.1%
Depreciation of tangible assets	(13,391)	-2.0%	(13,623)	-2.2%	(232)	1.7%
Other adjustment	0.0%		0.0%		0	
Total amortisation, depreciation and write-downs	(21,316)	-3.2%	(22,030)	-3.6%	(714)	3.4%
Provisions	(2,074)	-0.3%	(1,907)	-0.3%	167	-8.1%
EBIT	65,979	9.9%	1,906	0.3%	(64,073)	-97.1%
Financial income and expenses						
Financial income	14,784	2.2%	15,838	2.6%	1,054	7.1%
Financial expenses	(19,932)	-3.0%	(24,871)	-4.1%	(4,938)	24.8%
Total financial income (expenses)	(5,148)	-0.8%	(9,032)	-1.5%	(3,884)	75.4%
Income (losses) from equity investments	6,072	0.9%	37,757	6.2%	31,685	521.8%
Profit before taxes	66,903	10.1%	30,631	5.0%	(36,272)	-54.2%
Income taxes	(14,317)	-2.2%	5,131	0.8%	19,448	-135.8%
Profit for the period	52,587	7.9%	35,762	5.9%	(16,825)	-32.0%

(*) Excluded the effects deriving from the application of IFRS 16 accounting standard

Sales during the year came to 606.8 million euros, recording a decrease of 8.8% compared to 665.4 million euros in 2018, including the effects of the above-mentioned mergers. The effect of exchange rates was positive; based on constant exchange-rates, i.e. using the same average exchange rates prevailing in 2018, revenues would be instead equal to 602.7 million euros.

Adjusted EBITDA and adjusted EBIT for the year (which then do not include the effects arising from the adoption of IFRS 16) amounted to 25.8 and 1.9 million euros, accounting for 4.3% and 0.3%, respectively, of sales in the year. Comparable gross and net operating results for 2018

came to 89.4 million euros (EBITDA), for a percentage impact of 13.4% on sales, and to 66 million euros (EBIT), for a percentage impact of 9.9% on sales, respectively.

EBITDA and EBIT for the year, including the effects arising from the adoption of IFRS 16, came to 51.5 million euros, for a percentage impact of 8.5% of sales, and 2.8 million euros, for a percentage impact of 0.5% of sales, respectively.

The net profit for the year was equal to 30.3 million euros, including dividends of 35.1 million euros from subsidiaries which accrued in the year. The profit for the previous year amounted to 68.7 million (including dividends recognised for 6.8 million euros).

Below are summarised the key financial indicators based on the data that have been published:

euro 000's	Year 19	Year 18	Change	%
Main economic indicators				
Sales revenues	606,834	636,863	(30,029)	(4.7)
EBITDA	51,488	109,506	(58,019)	(53.0)
Deprec., amort., write-downs and provisions	(48,690)	(19,794)	(28,896)	146.0
EBIT	2,797	89,712	(86,915)	(96.9)
Profit before taxes	25,213	90,650	(65,436)	(72.2)
Profit for the year	30,344	68,696	(38,352)	(55.8)
Foreign exchange impact on revenues	(4,101)			
Revenues at constant exchange rates	602,733	636,863	(34,130)	(5.4)
Impact on operating cost	653			
EBITDA at constant exchange rates	48,040	109,506	(61,466)	(56.1)
EBIT at constant exchange rates	(650)	89,712	(90,363)	(100.7)
EBITDA %	8.5	17.2		
EBIT %	0.5	14.1		
EBITDA % at constant exchange rates	8.0	17.2		
EBIT % at constant exchange rates	(0.1)	14.1		

euro 000's	%
Reconciliation of main economic indicators	
EBITDA (a)	8.5
IFRS 16 rents (b)	25,645
Adjusted EBITDA (c) = (a) - (b)	25,843
Amortiz., deprec. and write-downs (*) (d)	(23,937)
Adjusted EBIT (c) + (d)	1,906

(*) Excluded depreciations and write off of right of use assets

euro 000's	12.31.19	12.31.18	Change
Main Balance Sheet indicators	12.31.19	12.31.18	Change
Net working capital (*)	300,635	299,188	1,447
Intangible and tangible fixes assets	269,341	257,685	11,656
Right of use assets	158,839	158,839	0
Other current assets/liabilities	466,287	527,477	(61,189)
Invested capital	1,195,102	1,084,349	110,754
Net financial indebtedness/(surplus)	236,120	159,122	76,998
Shareholders' equity	958,983	925,226	33,756
Capital expenditures (**)	23,754	17,585	6,169
Net operating cash flows	21,861	4,187	17,674
Cash flows generated/(used)	19,661	(34,099)	53,759

(*) *Trade receivables + inventories - trade payables*

(**) *Right of use assets are not included*

euro 000's	12.31.19	12.31.18	Change
Reconciliation of main balance sheet indicators	12.31.19	12.31.18	Change
Invested capital (a)	1,195,102	1,084,349	110,754
Right of use assets (b)	158,839	158,839	0
Adjusted invested capital (a) - (b)	1,036,263	1,084,349	(48,085)
Net financial indebtedness/(surplus) (a)	236,120	159,122	76,998
Non-current lease liabilities	136,272	136,272	0
Current lease liabilities	22,084	22,084	0
Total lease liabilities (b)	158,356	158,356	0
Adjusted Net financial indebtedness/(surplus) (a) - (b)	77,764	159,122	(81,359)
Net cash flows from operating activities (a)	21,861	4,187	17,674
Repayments of lease liabilities (b)	(20,543)	(20,543)	0
Adjusted net cash flows from operating activities (a)+(b)	1,318	4,187	(2,869)

Again in applying OPI (*Orientamento Preliminare*, Preliminary Guidance) document No. 2 (revised) issued by Assirevi (the Italian Auditors' Association), in order to make the effects of the above merger transactions as reported in the statement of financial position at December 31st, 2019 comparable with those reported in the position at December 31st, 2018, pro-forma schedules have been prepared that show the comparative data at December 31st, 2018, including the effects of these mergers as if they had taken place in 2018. The pro-forma schedules of the statement of financial position for 2018, therefore, are then shown below, compared with those of the 2019 period, which, again, in order to make comparison easier, do not include the effects of the adoption of IFRS 16 ("adjusted data"), which had not been adopted yet in the previous year.

euro 000's	2018 published	12.31.18 pro-forma data	12.31.19 Adjusted (*)	Change
Non current assets				
<i>Intangible fixed assets</i>				
Assets with indefinite useful life	150,919	151,537	150,919	(618)
Others	22,431	23,402	22,928	(474)
Total intangible fixed assets	173,350	174,939	173,847	(1,092)
<i>Tangible fixed assets</i>				
Buildings and land	56,353	112,487	55,432	(57,055)
Plant and machinery	11,171	11,171	10,278	(893)
Equipment	9,061	9,290	9,421	131
Leasehold improvement	3,173	9,249	12,058	2,809
Others	4,576	8,253	8,306	53
Total property, plant and equipment	84,335	150,450	95,495	(54,955)
<i>Other assets</i>				
Investments properties	18	18	15	(3)
Investments in subsidiaries	608,734	500,808	505,699	4,891
Deferred tax assets				
Others	4,320	2,199	4,353	2,154
Total other assets	613,072	503,025	510,067	7,042
Total non-current assets	870,757	828,414	779,409	(49,005)
Current assets				
Inventories	233,277	247,203	252,306	5,103
Trade receivables	211,575	191,037	186,062	(4,975)
Tax receivables	11	5,103	9	(5,094)
Derivative financial instruments	1,307	1,307	1,246	(61)
Others	44,468	58,748	78,317	19,569
Cash and cash equivalents	66,703	79,595	86,426	6,831
Total current assets	557,342	582,992	604,366	21,374
Assets held for sale				
Total assets	1,428,099	1,411,406	1,383,775	(27,631)

(*) Excluded the effects deriving from the application of IFRS 16 accounting standard

to be continued

continuing

euro 000's	2018 published	12.31.18 pro-forma data	12.31.19 Adjusted (*)	Change
Shareholders' equity				
Share capital	66,187	66,187	66,187	(0)
Capital reserves	416,507	416,507	416,507	(0)
Treasury stock				
Hedging reserve	(456)	(456)	(128)	328
Other reserves	374,291	353,580	446,072	92,492
Profit/(Loss) for the period	68,696	52,587	35,762	(16,825)
Group interest in Shareholders' equity	925,225	888,405	964,400	75,995
Non-current liabilities				
Provisions for risks	5,394	5,394	5,248	(146)
Deferred tax liabilities	16,261	13,553	5,816	(7,737)
Employee benefits	7,586	8,601	9,725	1,124
Derivative financial instruments	672	672	225	(447)
Bank borrowings	69,666	76,866	84,023	7,157
Others	14,476	14,476	14,015	(461)
Total non-current liabilities	114,055	119,562	119,052	(510)
Current liabilities				
Trade payables	145,665	155,570	137,733	(17,837)
Tax payables	6,142	4,719	13,194	8,475
Derivative financial instruments	2,842	2,842	2,186	(656)
Others	65,516	68,562	58,678	(9,884)
Bank borrowings	167,999	170,792	87,822	(82,970)
Provisions for risks	655	955	710	(245)
Total current liabilities	388,818	403,439	300,323	(103,116)
Total Shareholders' equity and liabilities	1,428,099	1,411,406	1,383,775	(27,631)

(*) Excluded the effects deriving from the application of IFRS 16 accounting standard

Revenues. The following table shows a breakdown of the Company's revenues, compared with the previous year, which have been restated to take account of the effects of the merger (2019 pro-forma data):

euro 000's	FY 19	%	FY 18	%	Change	%
Brand						
TOD'S	261,848	43.1	311,758	46.9	(49,910)	(16.0)
HOGAN	166,497	27.4	179,816	27.0	(13,319)	(7.4)
FAY	54,956	9.1	59,092	8.9	(4,136)	(7.0)
ROGER VIVIER	118,940	19.6	109,655	16.5	9,285	8.5
Other	4,593	0.8	5,115	0.8	(522)	(10.2)
Total	606,834	100.0	665,435	100.0	(58,601)	(8.8)
Product						
Shoes	475,008	78.3	517,209	77.7	(42,201)	(8.2)
Leather goods	67,041	11.0	79,076	11.9	(12,035)	(15.2)
Apparel	60,192	9.9	64,035	9.6	(3,843)	(6.0)
Other	4,593	0.8	5,115	0.8	(522)	(10.2)
Total	606,834	100.0	665,435	100.0	(58,601)	(8.8)
Region						
Italy	256,915	42.3	277,814	41.7	(20,899)	(7.5)
Europe	162,376	26.8	176,350	26.5	(13,974)	(7.9)
Americas	39,818	6.6	44,787	6.7	(4,969)	(11.1)
Greater China	111,288	18.3	124,495	18.7	(13,207)	(10.6)
RoW	36,437	6.0	41,989	6.3	(5,552)	(13.2)
Total	606,834	100.0	665,435	100.0	(58,601)	(8.8)

In 2019 revenues from TOD'S brand came to 261.9 million euros, showing a decrease of 16% in respect to previous year, linked to poor sales in the indirect channel. The HOGAN brand recorded revenues of 166.5 million euros, with a negative 7.4% difference compared to 2018, which was mainly linked to the weakness of the Italian market; good results obtained by HOGAN in the Greater China region. The FAY brand recorded sales of 55 million euros, down by 7% compared to 2018, which was equally attributable to the performance of domestic market. The ROGER VIVIER brand achieved revenues of 118.9 million euros (against 109.7 million euros in 2018), showing an increase of 8.5% compared to 2018 and confirming its appeal to international customers.

As regards product categories, sales data confirm that the Company's core business is conducted in the segment of footwear, whose revenues amounted to 475 million euros in 2019 (517.2 million euros in 2018), accounting for 78.3% of total turnover. Revenues from leather goods and accessories, which amounted to 67 million euros (79.1 million euros at December 31st, 2018), recorded a decrease of 15.2% compared to the previous year, mainly owing to the performance of the TOD'S brand. Sales from apparel came to 60.2 million euros (64 million euros at December 31st, 2018); the performance was the same as that of the FAY brand.

Revenues from domestic market, equal to 256.9 million, reported a decline of Euro 20.9 million (-7.5%) compared to the previous year. In Europe, revenues amounted to 162.4 million euros, recording a decrease of 7.9% compared to 176.3 million euros in 2018. Revenues in American markets reported a fall of 11.1% compared to 2018, while in the Greater China region there was a decrease in revenues of 10.6%. The "Rest of the world" area recorded revenues of 36.4 million euros (42 million euros in 2018), showing a reduction of 13.2% in respect to the previous year.

Operating results. Adjusted EBITDA was equal to 25.8 million euros, accounting for 4.3% of sales, while EBITDA for 2018, including the effects of the abovementioned mergers, would have been equal to 89.4 million euros, accounting for 13.4% of sales. The operating results for the year were strongly affected by the revenue trend commented on above, characterised by a reduction in performance, especially in the indirect channel, of some product families, as well as by the effects of the increase in some operating costs which, in accordance with the business strategies implemented by the Company, are necessary to ensure a return to growth in the medium term. It is especially necessary in the present scenario with its extreme uncertainty and volatility to support and strengthen the positioning of our brands with new style projects and a targeted communication strategy. Indeed, a considerable amount of financial resources has also been put into the retail channel, both by improving the direct distribution network and developing the digital channel, which is expected to yield appreciable results even in the short term, also owing to the advantages and sales and distribution opportunities offered by omnichannel marketing.

The exchange rates trend had a positive impact; based on constant exchange rates, i.e. using the average exchange rates applied in 2018, adjusted EBITDA would come, in fact, to 22.4 million, accounting for 3.7% of revenues.

The expenditure for the use of third-party assets (leases and royalties) increased from 43.2 million euros to 51.2 million euros, mainly owing to an increase in the lease rentals payable for the renewal of some agreements involving commercial properties in which some of the Company's important flagship stores are located. The impact on revenues from sales amounts to 8.4% against 6.5% in the previous year.

Personnel costs amounted to 107.1 million euros (102.3 million euros in 2018, including the effects of the abovementioned mergers), accounting for a percentage of revenues from sales of 17.6% while the previous year it was 15.4%.

In 2019 amortization and depreciation, excluding those relating to right-of-use assets, equal to 24.8 million euros, came to 22 million euros in 2019 (18 million euros in 2018), accounting for 3.6% of revenues (2.8% in 2018). Net of provisions of 1.9 million euros, adjusted EBIT came to 1.9 million euros, accounting for 0.3% of sales, while EBIT for 2018, including the effects of the abovementioned mergers, would have been equal to 66 million euros, accounting for 9.9% of sales.

Financial income and costs for the year, without considering the effects arising from the adoption of IFRS 16, showed a negative balance for 9 million euros, which was affected by the performance of cross rates of some currencies with which the Company operates and it includes, for about 1.4 million euros, interest expenses on outstanding loans (0.6 million euros in 2018). In also including the effects arising from the adoption of IFRS 16 (financial costs accrued on lease liabilities), equal to 6.3 million euros, the balance of financial income and expenses is negative for 15.3 million euros.

The income from equity investments shows a positive result for 37.8 million euros, mainly thanks to dividends received from subsidiaries Tod's Hong Kong Ltd., Roger Vivier S.p.A. and Tod's International B.V., totalling 35.1 million euros.

The tax effect for the year was positive, equal to 5.1 million euros (against a negative value of 22 million euros in 2018), mainly owing to the recognition of deferred tax assets on the tax loss for the year; the net result for the period came to 30.3 million euros, against 68.7 million euros in 2018. At December 31st, 2019 net profit accounted for 5% of revenues (10.8% at December 31st, 2018).

Investments in intangible assets and property, plant and equipment. The investments made in 2019 amounted to 23.8 million euros, excluding transfers of assets arising from the abovementioned merger transactions. In 2018, investments amounted to 17.6 million euros. About 4.8 million euros are the capital expenditures invested in the normal processes of modernisation of facilities and industrial equipment mainly dedicated to the purchase of additional industrial equipment for the creation of the collections (lasts and moulds). An amount of about 6.9 million euros was invested in the DOS network operated by the Company, mainly relating to the directly-operated stores acquired through the merger of subsidiary Del.Com. S.r.l.. A significant quota of investments in the year was also allocated to the development of the company information systems, among which those linked to the digital channel and its integration with the Group distribution network.

Net financial indebtedness. At December 31th, 2019, net financial indebtedness amounted to 236.1 million euros and included lease liabilities arising from the adoption of IFRS 16, equal to 158.4 million euros; therefore, net of these liabilities, net financial debt would have been 77.8 million euros (159.1 million euros at December 31st, 2018). For comparative purposes, it should be noted that the pro-forma financial debt at December 31st, 2018 (including the net debt of the merged companies in 2019) would have been equal to 156.2 million.

Other financial assets relate to financing agreements granted to subsidiaries Tod's Australia PTY Ltd, Tod's Austria GmbH, Del Pav S.r.l. and Italiantouch USA Inc..

At December 31st, 2019 the financial debt included the financial liabilities relating to the syndicated loan agreement entered into with Mediobanca and Crédit Agricole in 2014, as well as to the loan agreement entered into with Intesa SanPaolo S.p.A. on December 21st, 2018, for an amount equal to 125 million euros, repayable in 6 deferred six-monthly instalments, which will expire on December 31st, 2021 and to the loan agreement entered into with BNL S.p.A. (BNP Paribas Group) on December 21st, 2018, for an amount equal to 25 million euros, repayable in 16 deferred quarterly instalments, which will expire on December 21st, 2022

euro 000's	12.31.19	12.31.18	Change
Net financial indebtedness			
Current financial assets			
Cash and cash equivalents	86,426	66,703	19,723
Other current financial assets	308	9,200	(8,892)
Current financial assets (A)	86,734	75,903	10,831
Current financial liabilities			
Current account overdraft	63	63	
Current share of medium-long term financing	87,760	167,999	(80,239)
Current lease liabilities	22,084		22,084
Current financial liabilities (B)	109,906	167,999	(58,093)
Current net financial indebtedness/(Surplus) (C) = (B) - (A)	23,172	92,095	(68,923)
Non current financial assets			
Other non-current financial assets	7,348	2,639	4,709
Non-current financial assets (D)	7,348	2,639	4,709
Non-current financial liabilities			
Medium-long term financing	84,023	69,666	14,358
Non-current lease liabilities	136,272		136,272
Non-current financial liabilities (E)	220,296	69,666	150,630
Non-current net financial indebtedness/(Surplus) (F) = (E) - (D)	212,948	67,027	145,921
Net financial indebtedness/(surplus) (C) + (F)	236,120	159,122	76,998

euro 000's	12.31.19	12.31.18	Change
Adjusted net financial indebtedness			
Net financial indebtedness/(surplus) (a)	236,120	159,122	76,998
Current lease liabilities	22,084		22,084
Non-current lease liabilities	136,272		136,272
Total lease liabilities (b)	158,356		158,356
Adjusted Net financial indebtedness/(surplus) (a) - (b)	77,764	159,122	(81,359)

Operating activities during the year generated cash for 29.0 million euros (against 9.7 million euros in 2018), benefitting from the effects arising from the adoption of IFRS 16; adjusted operating cash flows amounted to 3.2 million euros. Net of paid taxes and interest expense, net Cash Flows from operating activities amounted to 21.9 million euros (4.2 million euros at December 31st, 2018), while adjusted net operating cash flows amounted to 1.3 million euros. Cash flows from investing activities amounted to 110.1 million euros, including the financial effects arising from the merger transactions that took place in the year, for 135.3 million euros and cash flow invested in fixed assets.

Cash flows collected from financing activities amounted to 112.2 million euros (cash flows used for financing activities were 4.6 million euros in 2018) and included the distribution of dividends that took place during the period for 33.1 million euros, as well as the loans raised and repaid during the period and the payment of the nominal value of lease liabilities for 20.5 million euros. The loans raised in the period were disbursed out on practically the same financial terms as those maturing, confirming the Group's strong capacity to raise finance.

euro 000's	FY 19	FY 18
Statement of cash flows		
Net Cash and cash equivalents at the beginning of the period	66,703	100,802
Cash flows from operating activities	28,967	9,686
Interests and taxes collected/(paid)	(1,859)	(5,499)
Net cash flows from operating activities	21,861	4,186
Cash flow generated (used) in investing activities	110,057	(42,863)
Cash flow generated (used) in financing activities	(112,256)	4,577
Net Cash and cash equivalents at the end of the period	86,364	66,703

euro 000's	FY 19	FY 18
Statement of cash flows		
Net cash flows from operating activities	21,861	4,186
Repayments of lease liabilities (b)	(20,543)	
Adjusted net cash flows from operating activities (a)+(b)	1,318	4,186

Other Information

Statement pursuant to art. 2.6.2 paragraph 8 of the regulations for markets organized and managed by Borsa Italiana S.p.A. In respect of Art. 36 of CONSOB Regulation no. 16191 of October 29th, 2007 on conditions for the listing of companies that control entities formed or governed under the laws of countries outside the European Union that are of material significance to the financial statements, we report that 10 of the company's direct or indirect subsidiaries fall under these provisions (Tod's Korea Inc., Tod's Shanghai Trading Co. Ltd, Roger Vivier Shanghai Trading Co. Ltd, Tod's Hong Kong Ltd, Roger Vivier Hong Kong Ltd., Tod's Japan KK, Deva Inc., An. Del. USA Inc., Flor Del. USA Inc., Cal. Del. Usa Inc.), that suitable procedures have been adopted to ensure total compliance with said rules, and that the conditions stated in Art. 36 have been satisfied.

Disclosure pursuant to Consob Resolution no. 17221 of March 12th, 2010 (Related Parties Regulation). During 2019 the Group did not conclude highly significant transactions with related parties or related party transactions that had a material impact on the assets, liabilities or net income of the Group, and there were no modifications or developments in the transactions described in the 2018 Annual Report that had the same effects.

Furthermore, the following merger transactions were carried out in 2019, which however can be described as related-party transactions:

- Merger by incorporation of Del.Com. S.r.l., which is wholly owned by TOD'S S.p.A., which took place by a deed dated December 23rd, 2019 and which became effective from December 31st, 2019. For accounting and tax purposes, the effects of the abovementioned merger were charged to the merging company's financial statements as from January 1st, 2019;
- Merger by incorporation of Italiantouch S.r.l., which is wholly owned by TOD'S S.p.A., which took place by a deed dated November 19th, 2019 and which became effective from December 31st, 2019. For accounting and tax purposes, the effects of the abovementioned merger were charged to the merging company's financial statements as from January 1st, 2019;
- Cross-border merger by incorporation of Holpaf B.V., a Dutch company that is wholly owned by TOD'S S.p.A., which took place by a deed dated December 9th, 2019. For accounting and tax purposes, the effects of the abovementioned merger were charged to the merging company's financial statements as from the date of registration of the abovementioned deed of merger with the register of companies, i.e. from December 9th, 2019.

Although the three mergers constitute transactions with "related parties" in accordance with law, they are exonerated from applying the related procedure adopted by the Company according to art. 9.1.a) thereof, since the Issuer put them in hand with wholly-owned subsidiaries without there being any other related parties having any significant interest in the transactions.

These transactions, which are described in more details in the explanatory notes, are then described as transactions of "minor significance" according to art. 7 of the Regulation on Related-Party Transactions and art. 4 of the Procedure on related Parties Transactions.

All the information regarding existing relations with related parties in 2019 are set out in the supplementary notes.

Management and coordination activities. Although TOD'S S.p.A. is subject to the control (pursuant to Article 93 of Legislative Decree 58/1998) of DI.VI. Finanziaria di Diego Della Valle & C. S.r.l., neither this latter company or any other party has dictated policy or interfered in the management of TOD'S S.p.A. (or any of the subsidiaries of TOD'S S.p.A.). Indeed, management of the issuer and its subsidiaries was not subject to any influence by third parties outside the TOD's Group.

It should also be noted that the Directors of DI.VI. Finanziaria di Diego Della Valle & C. S.r.l. consider that it does not carry out management and coordination activities provided for by Article 2497 of the Italian Civil Code. In particular, TOD'S S.p.A. is not subject to management and coordination by its parent company DI.VI. Finanziaria di Diego Della Valle & C. S.r.l., or any other entity, pursuant to Articles 2497 and ff. of the Italian Civil Code.

Additionally, the Directors of DI.VI. Finanziaria di Diego Della Valle & C. S.r.l. deem that it does not carry out management and coordination activities provided for by Article 2497 of the Italian Civil Code in that:

- the shareholder has no structure for performing this activity, having no employees or independent personnel in a position to support the Sole Director in his work;
- the shareholder does not draw up TOD'S S.p.A.'s budgets or plans;
- the shareholder does not give the subsidiary any directives or instructions and does not ask to receive prior information regarding its more important transactions, not to speak of day-to-day transactions, or to approve them beforehand;
- there are no formal or informal committees or working groups composed of representatives of DI.VI. Finanziaria di Diego Della Valle & C. S.r.l..

There have been no changes to the above circumstances up to this date.

Pursuant to the Corporate Governance Code, transactions that have a particularly significant impact on TOD'S S.p.A. strategy, operations, assets, liabilities, and financial position are subject to exclusive review and approval by the Board of Directors of the issuer TOD'S S.p.A. Its members include independent directors without executive responsibilities at the company, in accordance with the rules set out in Article 3 of the Corporate Governance Code.

The expertise and authority of the independent directors without executive responsibilities and their material impact on decisions taken by the Board of Directors represent a further guarantee that all decisions by the Board of Directors are taken exclusively on behalf of TOD'S S.p.A. without being influenced by instructions or interference by third parties representing interests opposed to the Company's.

All subsidiaries of TOD'S S.p.A. are subject to management and coordination by the issuer. This activity consists in defining the general strategic policies for the Group, the internal control and risk management system, and the elaboration of general policies for management of the most important operating drivers (human, financial, productive, marketing and communication resources), without impairing the complete managerial and operating autonomy of the subsidiaries.

Research and development. Given the particular nature of the Group's production, research and development activity consists of continuous technical/stylistic revision of models and constant improvement of the materials used to realise the product.

Since this activity is exclusively ordinary, the associated costs are charged entirely to income in the year that they are incurred, and thus recognised as normal production costs.

Research and development costs, as defined above, have assumed major importance due to operating realisation of projects connected with expansion of the existing product line with new types of merchandise that complement current ones. These will increase the number of brands offered and stimulate increased sales to end customers.

Reconciliation of the result for the period and net equity of the Group with the analogous values of the Parent Company. The following table illustrates the reconciliation of the result for the period and net equity of the Group with the analogous values of the Parent Company, in accordance with CONSOB memorandum DEM/6064293 dated July 28th, 2006.

euro 000's	12.31.19		12.31.18	
	Net Profit	Share equity	Net Profit	Share equity
Parent Company	30,344	958,983	68,696	925,225
Difference between book value of consolidated Companies and net equity method valuation	60,197	238,345	(9,685)	220,866
Goodwill from Business combination Parent Company		(13,685)		(13,685)
Goodwill from Business combination Group		12,285		12,285
Others (*)	(44,257)	(114,291)	(11,865)	(79,541)
Minority interest	(625)	(1,089)	(688)	(452)
Group	45,659	1,080,548	46,458	1,064,699

(*) *Mainly dividends and intercompany profits*

Information on Share Capital. At December 31st, 2019 the Company's share capital was divided into 33,093,539 shares, all of which are of no par value, for a total nominal value of euro 66,187,078, unchanged respect to 2018.

Own shares and shares or quotas of controlling companies. As of December 31st, 2019 the Company did not possess any of its own share nor did it possess any shares or quotas of the controlling companies, neither since the date on which the shares of the Company were listed on the Milan Stock Exchange, the Company has not been a party to any transactions with reference to its own shares.

Significant events occurred after the end of the period

After the end of the financial year a new virus named SARS-CoV-2 generated a pathology referred to as Covid-19. The phenomenon was initially observed in mainland China and, at the moment, is infecting hundreds of thousands of people around the world, progressively significantly affecting Italy too. In considering the protection of the health and safety of its employees as one of its priorities, the Group has adopted since the beginning a prudent approach to the prevention and containment of the epidemic at all its sites. In particular, the Group voluntarily ordered the closure of its production facilities as early as from 12 March 2020, which then continued and is still ongoing, in line with the extraordinary measures adopted by the Italian Government to contain the current pandemic. Again as a result of this epidemic, a number of the Group's DOSSs are currently closed in many parts of the world in order to contain the spread of the virus, and in compliance with the directives issued by the Governments of the countries in which the Group operates. In view of the evolution of this contagion around the world and the enormous uncertainties as to the effects of this type of virus, both in terms of duration and possible development, at this moment it is not possible to determine the probable extent of the economic and social effects on international markets; the only certainty is that these effects will be

conspicuously unfavourable. As of the reporting date of this document, therefore, we cannot predict their impacts on the Group's results for the current year. Nevertheless, impairment tests have not brought any issues to light as regards the measurement of the items in the financial statements.

Business outlook

The Covid-19 pandemic has generated a climate of intense uncertainty and, although it is not yet possible at this time to determine the precise effects of the virus on the results of the year that has just commenced, the Group has put a plan in place with the purpose of limiting these adverse effects on its results by reducing some costs immediately and giving priority to projects related to the promotion and protection of its brands. The flow of goods is also managed very prudently, dosing the quantity of products put on the market as accurately as possible, while necessarily taking account of the measures taken by the Governments of each country, in terms of restrictions on the opening of shops and stores that do not sell essentials. Moreover, the solidity of the Group's assets and finances ensures the financial independence it requires to continue making its operating decisions and putting its business development strategies into practice with determination. These strategies, which the Group also carried on in 2019, were producing their first positive signals at the end of the year that has just ended; they were already clear then and they grew even stronger in the first weeks of 2020. These data confirm that the measures that the Group has been taking are moving in the right direction; they will continue to be taken during the year, compatibly with the uncertainty surrounding the duration of the present situation, mainly along the avenues of sustainable development, the strengthening of the brands and their internationalisation, the desirability of the new collections, investments in the DOS network and in increasing customers in single-brand stores, closer and closer control over direct distribution, the development of the e-commerce channel and omnichannel marketing.

It should be noted, however, that on 30 March 2020 the parent company TOD'S S.p.A., which has always adopted a prudent approach, requested and obtained the disbursement, for a total of Euro 300 million, involving a portion of the revolving credit lines outstanding at 31 December 2019, which had previously been entirely unused, precisely in order to guarantee financial support in implementing the aforementioned business strategies, in the current uncertain and complex context, and to be ready to resume operations quickly when the market returns to normal.

Approval of Financial Statement and proposal for the allocation of the profit for the period

At the meeting held on 30 March 2020, the Board of Directors of TOD'S S.p.A. acknowledged that the macro-economic scenario had further worsened after the Board meeting held on 12 March, which had approved the consolidated financial statements of the Group and the separate financial statements of TOD'S S.p.A., following the spread of the Covid-19 virus epidemic.

Consequently, in adopting a prudent approach, in order to support the Group's capital and financial soundness and contain future financial impacts, the Board decided, after amending the proposal put forward on 12 March 2020, to propose to the Shareholders' Meeting to approve the following allocation of the 2019 Company's profit, which amounts to 30,343,944.66 euros:

- i. 29,887,356.36 euros to be allocated to extraordinary reserve;
- ii. 456,588.30 euros to be allocated to the specific reserve for promoting territorial solidarity projects.

Sant'Elpidio a Mare, March 30th, 2020

The Chairman of the Board of Directors
Diego Della Valle

Consolidated Non-Financial Statement – 2019 financial year pursuant to articles 3 and 4 of Italian Legislative Decree 254 of 2016

Letter to stakeholders

2019 witnessed the consolidation of the process of integrating sustainability into the business strategy, initiated several years ago, as well as the achievement of important results.

In the Non-Financial Statement for the 2019 financial year, we not only report the numerous milestones reached over the course of the year, in line with our Sustainability Plan, but also our commitment to continuously improve our sustainability performance. The document, now in its third edition, illustrates how a sustainable and responsible approach to the way in which we conduct our business and interact with our stakeholders is an increasingly integrated and pervasive part of our business strategy.

The path we have taken and the results we have achieved have always been based on the values of tradition, innovation, ethics, solidarity and Italian spirit, which are the core principles on which our Group is founded and which guide the development and implementation of our responsible actions.

In 2019, we continued to promote sustainability standards by drafting the Environmental Policy, holding workshops with the Group's top management and involving certain significant stakeholder categories, partly with the goal of updating the Group's materiality matrix. The new materiality matrix offers a comprehensive overview of the issues that are most important to the Group and our stakeholders, while reflecting the priorities that we have set ourselves and the main international trends in our sector.

Furthermore, confirming our commitment to a more transparent and traceable supply chain, in 2019 we formalised the Supplier Code of Conduct, approved by the Board of Directors and designed to set out the principles and conduct standards that must be respected in order to ensure fair, equitable and responsible working conditions. In order to ensure compliance with this document, we have also launched production chain audits focused on environmental and social issues, human rights, health and safety, and ethical principles.

Our commitment to sustainable development is part of a national and international framework that is subject to rapid, constant change and characterised by an ever-growing awareness of sustainability issues. Against this background, we are proud to present, in this Non-Financial Statement, the significant results that we have achieved, fully conscious of the further steps that we must take to respond, in an increasingly timely manner, to our stakeholders' needs.

Methodological note

TOD'S Group's (hereinafter also the "Group" or "TOD'S") third Consolidated Non-Financial Statement (hereinafter also "Statement" or "NFS") is a tool to transparently and articulately describe the economic, social and environmental results achieved by the Group and demonstrates the Group's commitment to sustainable development, with the aim of creating value not only for itself, but also for its stakeholders.

This document also responds to the obligation to report non-financial information set out in Legislative Decree 254 of 30 December 2016 (hereinafter "Decree 254"), which TOD'S S.p.A. is subject to.

This Statement relates to the 2019 financial year (from 1 January to 31 December) and was prepared in accordance with articles 3 and 4 of Decree 254 and with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by the Global Reporting Initiative (GRI), according to the "In accordance - Core" option. It should be noted that with regard to the specific GRI 403 Standard (Occupational health and safety) the most recent version of 2018 has been adopted and the figures for 2018 have been restated for comparative purposes – for previously published data, please refer to the Group's 2018 Non-Financial Statement. The appendix to the document contains the "GRI content index", with the details of the content reported in accordance with the guidelines mentioned above. This document also follows the "Guidelines on non-financial reporting" (2017/C 215/01) issued by the European Commission on 26 June 2017.

The NFS is published annually and the previous edition, relating to the 2018 financial year, was published in March 2019.

The present document aims to describe to its stakeholders the management model and policies practised by the Group in relation to sustainability, describing the most significant results achieved in the financial year in question, to the extent necessary to ensure understanding of the company's business, performance, results and impact, covering environmental and social issues and issues relating to staff, to respecting human rights and to the fight against active and passive corruption, which are relevant considering the company's activities and characteristics and stakeholders' expectations, as illustrated in the materiality analysis contained in this document.

The process of collecting data and information to draft this Non-Financial Statement was managed in collaboration with TOD'S Group's corporate functions, with the aim of providing a clear and precise indication of the information considered significant for the stakeholders according to the principles of accuracy, balance, clarity, comparability, reliability and timeliness set out in the GRI guidelines.

The scope of the data and information reported in this Statement is limited to the fully consolidated companies in TOD'S Group as at 31 December 2019, which are grouped into the following regions: Italy, Europe, Greater China, Americas and Rest of the World¹.

In particular, the scope of the economic data is the same as that of the Group's 2019 Consolidated Financial Statements, while the scope of the social and environmental data and information is limited to the fully consolidated subsidiaries.

The scope of consolidation as of 31 December 2019, compared to as of 31 December 2018, has changed as a result of the following mergers:

- Merger by incorporation of Del.Com. S.r.l., a company wholly owned by TOD'S S.p.A., executed by deed dated 23 December 2019 and effective from 31 December 2019. For accounting and tax purposes, the effects of this merger have been recorded in the financial statements of the acquiring company as from 1 January 2019;
- Merger by incorporation of Italiantouch S.r.l., a company wholly owned by TOD'S S.p.A., executed by deed dated 19 November 2019 and effective from 31 December 2019. For accounting and tax purposes, the effects of this merger have been recorded in the financial statements of the acquiring company as from 1 January 2019;
- Cross-border merger by incorporation of Holpaf B.V., a company under Dutch law, wholly owned by TOD'S S.p.A., executed by deed dated 9 December 2019. For accounting and tax purposes, the effects of this merger have been recorded in the financial statements of the acquiring company as from the registration of the said merger deed in the register of companies on 9 December 2019.

Furthermore, it should be noted that on 8 August 2019, effective 1 September 2019, An.Del. Inc. and Italiantouch S.r.l. signed an agreement for the sale of 100% of the stake held by the latter in the Italiantouch USA Inc. company. This sale had no effect on the consolidated financial statements.

Any specifications and exceptions to the reporting scope² are duly noted in the relevant sections. This document provides adequate data and information to the extent necessary to ensure understanding of the Group's business, performance, results and impact (so-called material issues).

Where available, data relating to the previous financial year is shown for comparative purposes only, in order to allow an assessment of the performance of the Group's activities over a longer period of time. Moreover, the chapters of the NFS report quantitative information for which estimates have been used.

¹ For more information on the fully consolidated companies in TOD'S Group, please refer to the specific section of the Group's Annual Financial Report for 2019.

² In cases of limitations, the scope coverage was calculated as a percentage of the total number of Group employees at the end of the reference year.

Finally, to facilitate reading of the document, it should be noted that the following terms have been used:

- “The Parent Company” and “The Company” with reference to TOD'S S.p.A.;
- “The Group” with reference to TOD'S Group (Parent Company and fully consolidated companies);
- “Italy” with reference to the area that is home to the business of TOD'S S.p.A., Roger Vivier S.p.A., Del. Com. S.r.l., Del. Pav. S.r.l., Filangieri 29 S.r.l., Re.Se.Del. S.r.l., Italiantouch S.r.l.

Envisaging a path of continuous improvement related to sustainability aspects, the Group achieved many objectives in 2019, in line with what was outlined in its development plan for project activities over the 2018-2020 three-year period. Namely:

- development of an Environmental Policy, setting out the Group's principles and commitments regarding environmental issues;
- updating of the Sustainability Plan;
- formalisation of the Supplier Code of Conduct, based on international conventions and standards (ILO, UN) and sharing of the Supplier Code of Conduct with the main categories of suppliers (contractors, external workshops and relevant suppliers of raw materials and components);
- planning and conducting of third-party production chain audits focused on environmental and social issues, human rights, health and safety, and ethical principles;
- provision of a corporate climate survey to a selected sample of senior management;
- organisation of workshops to spread sustainability culture within the Group;
- start of preliminary measures for the implementation of ISO 14001:2015 certification.

The activities will continue in the subsequent financial year. In particular, for 2020, the Group's development plan includes the following objectives:

- start of the implementation of the ISO 45001 health and safety management system;
- start of formalisation of policies regarding staff management issues for Italian companies and subsequent extension to the Group's other companies, in order to standardise actions and behaviour in the various regions in which the Group operates;

This Statement was assessed for compliance by an auditor which, with a separate report, certifies the compliance of the information provided pursuant to Article 3(10) of Legislative Decree 254 of 2016. Checks are carried out according to the procedures indicated in the “Independent Auditor's Report” included in this document.

This document was approved by the TOD'S S.p.A. Board of Directors on 12 March 2020 and published on the company's website www.todsgroup.com. To request more information about

TOD'S Group's sustainability strategy and the contents of this Statement, please contact the following address: infocsr@todsgroup.com.

1. Approach to sustainability

For TOD'S Group, sustainability means conducting its activities with an eye to the future and focusing its business strategy on creating value for stakeholders in the medium and long-term.

The Group's sustainability strategy is geared around three core values that have always been key to its identity:

- **Tradition and innovation**, the result of over a century of quality and excellence, based on passion, creativity and the promotion of Made in Italy production, elements that are inseparable from the outstanding quality of the products made by the Group's brands;
- **Ethics**, namely the continuous pursuit of honesty, fairness, confidentiality, transparency and reliability in its relationship with all stakeholders;
- **Solidarity and Italian spirit**, in other words responsibility towards the community (with a focus on the most vulnerable people, both locally and internationally) and towards the area in which the Group is present (with the aim of enhancing Italy's image throughout the world).

These values are reflected in numerous annual and long-term sustainability initiatives that the Group undertakes, evidencing its commitment to its stakeholders and to the context in which it operates.

Strengthened by its values and aware of its commitment to uphold and continually develop them, the Group has taken steps towards sustainability reporting in order to demonstrate its economic, social and environmental impact on the local area and the community, as well as the measures that it has taken to monitor and constantly improve its performance.

In order to promote the spread of social and environmental sustainability standards, which have always been the basis of TOD'S Group's activities and business strategies, the Group adopted a **Sustainability Policy** and finally, in the course of the year, an **Environmental Policy**.

The Sustainability Policy sets out the principles that guide the Group's management of matters relating to human resources, the environment, responsible management of the supply chain, the central importance of the customer and to supporting the country and its economic/industrial system and artistic and cultural heritage. These principles apply to corporate bodies, employees (without exception), contractors (including but not limited to consultants, agents, representatives, brokers, etc.), and anyone who works with TOD'S Group companies in any capacity.

The principles set out in the Sustainability Policy are outlined in the **Sustainability Plan**, updated in 2019, which is a tangible representation of how our commitment to sustainability concretely permeates the essence of TOD'S Group's business.

TOD'S Group's Sustainability Plan

In 2019, TOD'S Group updated its **Sustainability Plan**: this process served both to check the progress of the objectives that the Group had set itself and to integrate them with new initiatives and projects planned for the future.

The Plan defines initiatives in line with the Group's strategy, aimed at achieving objectives in the following areas:

- **Management of sustainability issues**, for example through implementation of initiatives in line with the requirements of Legislative Decree 254 of 2016 and by international reporting standards and the organisation of stakeholder engagement activities;
- **Talent development and promotion of equal opportunities**, for example through implementation of tools aimed at assessing employee performance and defining training plans customised to their tasks and training needs;
- **Employee well-being**, through optimisation of welfare programmes and implementation of initiatives aimed at protecting workers' health and safety;
- **Responsible management of the supply chain**, through the definition and dissemination of social, ethical and environmental standards for suppliers, the implementation of production chain audits and the definition and implementation of standards relating to the use of chemical substances;
- **Monitoring and reduction of environmental impact**, through the implementation of an environmental management system and the definition of an energy efficiency plan in the Group's stores, offices and factories;
- **Environmental awareness activities for employees**, through the promotion of good behaviour from an environmental point of view among the Group's employees and the implementation of sustainable mobility activities;
- **Monitoring and optimisation of logistics**, for example through initiatives aimed at increasing the traceability of emissions produced by logistics processes;
- **Responsible consumption of materials**, for example through actions aimed at optimising and rationalising environmental impact related to materials used, such as paper and plastic;
- **Management, satisfaction and central importance of customers**, through CRM initiatives, customer satisfaction level assessments and activities designed to involve customers;

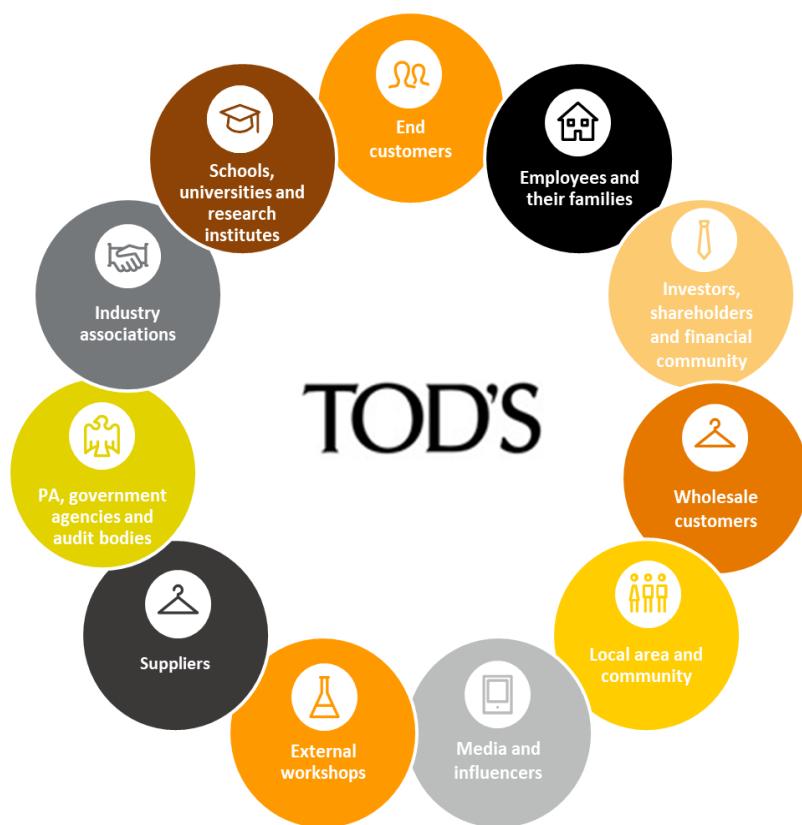
- **Collaboration with schools, universities, industry associations and design institutes**, through ongoing collaboration, the launch of new initiatives and the promotion of projects designed to support research and innovation in terms of health protection, safety and respect for the environment;
- **Initiatives to show solidarity and support for Italian spirit**, through the promotion and continuation of initiatives to benefit the area and to support its artistic and cultural heritage.

1.1 Interaction with stakeholders

Openness, dialogue and constant interaction with internal and external stakeholders are essential to the company's pursuit of its goals. This approach allows the Group not only to understand the needs, interests and expectations of its stakeholders, but also to identify the best ways to generate shared value in the medium and long-term.

Starting from its own characteristics, activities and an awareness of its role in the context in which it operates, in 2019, on the basis of internal analysis and benchmarks aimed at mapping national and international trends and best practices, TOD'S Group revised its mapping of stakeholders, which were previously identified and grouped into the following **11 categories**. This update, with which the Group intended to ensure an increasingly complete and exhaustive representation of the players that can influence and be influenced by its activities, included the integration of **research bodies** in the categories of already identified stakeholders, in line with the major trends in the sector.

The map of TOD'S Group stakeholders



The Group's approach to its stakeholders is aimed at implementing various kinds of dialogue and engagement initiatives that take advantage of the Group's many interaction channels.

Main initiatives for dialogue with stakeholders

Stakeholder categories	Main dialogue and engagement initiatives
 End users	<ul style="list-style-type: none"> • Different selling ceremony for each of the Group's brands. • Direct interaction with sales staff in the boutiques • E-commerce digital sales channel • Telephone and e-mail contact • Option to customise products • Gifting strategy • Product catalogue delivery • Customer care and customer delight services • After-sales services • Returns management policies • Creation of special content on social media
 Employees and their families	<ul style="list-style-type: none"> • "Welfare" project (in Italy) • Induction programmes for new employees • Italian Orientation project for new retail employees • Gym services, childcare centre, media library/library and corporate catering in the headquarters • Skills development programmes, tailored to the needs of different professional figures • Linguistic and technical/specialist training programmes • Workshops on sustainability issues within the Group • Online survey on sustainability issues • Annual meetings to discuss career development and performance assessments • Membership on a three-year basis of an assessment programme to monitor, improve and develop staff management practices • Cycles of interviews designed to assess the corporate climate
 Investors, shareholders and financial community	<ul style="list-style-type: none"> • Shareholders' Meeting • Institutional website • Meetings and conference calls with institutional investors and analysts • Industry conferences organised with the main international brokers • Roadshows in the main European financial centres

	<ul style="list-style-type: none"> • Contact with private shareholders
 Wholesale customers	<ul style="list-style-type: none"> • Meetings in the showrooms • Telephone or e-mail contacts to share business performance • Invitations to fashion shows/events/collection presentations
 Local area and community	<ul style="list-style-type: none"> • 1% of the Group's net profit is allocated to supporting initiatives targeted at members of the local community who assistance • Collaborations with non-profit organisations to support charitable initiatives for disadvantaged people • National and international collaborations and initiatives aimed at the promotion and protection of the Italian spirit worldwide
 Media and influencers	<ul style="list-style-type: none"> • Institutional website • Institutional communication events and initiatives • Conferences • Press releases • Press days • Interviews with top management • Invitations to fashion shows/events • Collaborations with important bloggers and influencers
 External workshops	<ul style="list-style-type: none"> • Definition and sharing of technical and quality standards • Visits to start the production process and to monitor product quality • Sharing of production progress • Dedicated portal/information systems • Online survey on sustainability issues
 Suppliers	<ul style="list-style-type: none"> • Daily reports • Definition and sharing of technical, stylistic and quality standards • Supplier portal
 PA, government agencies and audit bodies	<ul style="list-style-type: none"> • Special periodic meetings • Collaboration to develop initiatives
 Industry associations	<ul style="list-style-type: none"> • Constant dialogue and meetings • Participation in workgroups • Design and development of joint projects • Participation in trade fairs

 Schools, universities and research bodies	<ul style="list-style-type: none">• Support for initiatives to facilitate students' entry into the world of work, including through school/work alternation• Participation in career days and job fairs• Organisation of placements and internships• Sharing of expertise• Collaborations with prestigious universities and design schools• Participation in specialised training courses• Participation in working groups and industry associations in the field of sustainable research and innovation
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1.2. Materiality analysis

In order to identify economic, social and environmental aspects that are relevant to the Group and significantly influence or could influence the assessments and decisions of its stakeholders, TOD'S Group, in the course of 2019, updated its materiality matrix, which defines the aspects reported in the Non-Financial Statement.

The process of updating the materiality analysis, which was carried out according to the GRI Standards Guidelines published in 2016 by the GRI - Global Reporting Initiative and pursuant to Legislative Decree 254 of 2016 on non-financial information, was divided into several stages, which are presented below.

- **Identification of the relevant issues:** first, the relevant issues of the existing materiality matrix were analysed and, at the same time, new significant issues for the Group and its stakeholders were identified. These issues were identified through analysis of internal documents (Code of Ethics, Annual Financial Report, institutional website, etc.) and external documents (studies and industry publications), as well as through extensive benchmarking analysis of best industry practices at a national and international level.
- **Evaluation of the relevant issues:** in order to prioritise the relevant issues, the Group organised a workshop that involved the participation of the management. The management was asked to evaluate the relevance of the issues from two different perspectives: on the one hand, for the Group and, on the other, for the stakeholders, acting as a representative for their opinions and expectations.
- **Stakeholder engagement:** in order to involve external stakeholders in the assessment of relevant issues, an online survey was conducted on certain categories of employees, representing Italian and overseas offices, and on a selected panel of external laboratories operating in the three Footwear, Leather Goods and Clothing divisions. Through this survey, issues were prioritised in terms of relevance to stakeholders.
- **Identification of material issues:** drawing on the results of the workshop and the online survey, it was possible to update TOD'S Group's materiality matrix, which consists of **22 material themes**.

Considering the importance that the Group places in stakeholder engagement, with a view to defining material topics and to identifying their needs and expectations, the Group has set itself the goal of guaranteeing, over the years, the increasing involvement of stakeholders in the **materiality analysis process**.

TOD'S Group also continues to involve its employees by organising workshops on sustainability issues.

TOD'S Group's materiality matrix

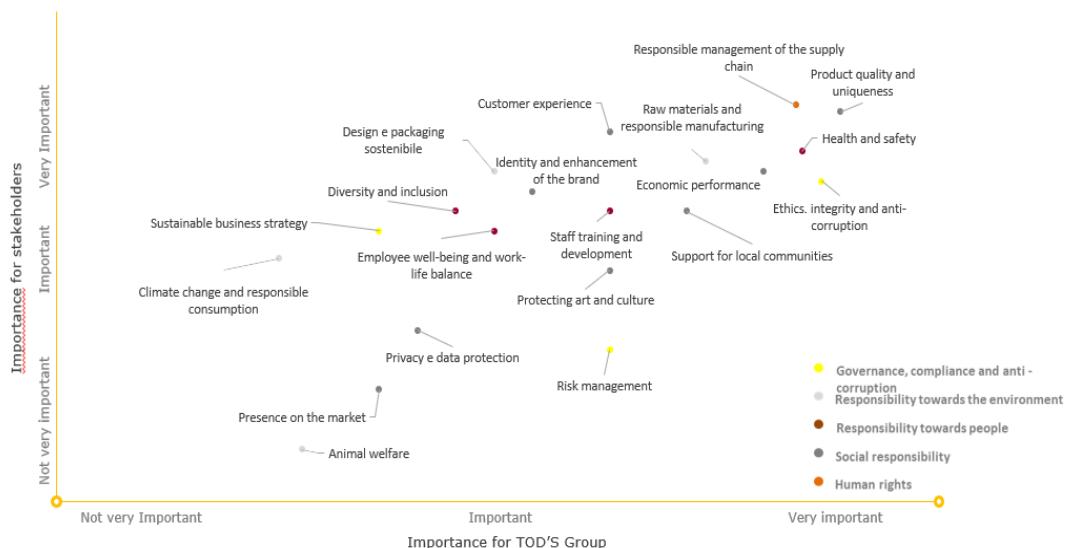
The materiality matrix's synthesis of the company's approach and the shareholders' perspective is a significant tool for defining and developing sustainability priorities and continuing to generate shared value in the medium and long-term.

In the new matrix, which is the result of the update process in 2019, issues relating to **climate change** and **animal welfare** play a more important role than in the past, in line with the growing attention to these topics, as well as those concerning increasingly **sustainable design** and **packaging**.

Furthermore, some of the issues, although in line with the pre-existing matrix, have been rationalised or revised in communicative terms in order to offer a representation of the materiality matrix that is as usable as possible and to ensure constant alignment with relevant trends and with the Group's identity.

The improvements made comprise, in particular, those relating to "Climate Change and Responsible Consumption", which include issues relating to water and energy consumption, greenhouse gas emissions, actions to mitigate climate change and waste production and management.

TOD'S Group's materiality matrix



2. Ethical and responsible business management

Due to its size and the significance of its activities, TOD'S Group is aware of the important role it plays in the community in which it operates and is therefore determined to ensure that its activities are conducted to the highest degree of correctness, while building and preserving a relationship of trust with its stakeholders.

Accordingly, the Group complies with the following ethical standards in the pursuit of its objectives:

- compliance with the legislative and regulatory provisions applicable in all the countries in which Group companies operate and observance of the strictest rules, particularly as these apply to relations with the public administration;
- equal and impartial treatment of employees, associates and customers;
- transparency and reliability;
- honesty, correctness and good faith;
- confidentiality;
- value of people and human resources.

Since 2008, these principles, which inspire our business conduct, have been formalised in the **Group's Code of Ethics**, which has been subsequently updated, most recently by the board resolution of 19 April 2018, in order to align its content to the best international practices, as well as to further integrate issues of corporate social responsibility.

Observance of the Code of Ethics is an essential condition underlying the correct operation of the companies comprising the Group, the protection of its reliability, reputation and image, enabling us to ensure the increasing satisfaction of our customers.

Therefore, all employees and other individuals who are involved in the operations of TOD'S Group companies are required to know and uphold the principles of the Code of Ethics, contributing, insofar as it is within their competence, to their observance. The Group, in order to concretely implement the guiding principles contained in the Code of Ethics, promotes awareness of these principles and their dissemination through publication on its official website at the following address: <https://www.todsgroup.com/it/corporate-governance/procedures-and-guidelines> and provision of specific information and training activities for employees, while ensuring broad compliance with them through the inclusion of specific contractual clauses in contracts and agreements to which the Company or the Group is a party.

2.1. Compliance with laws and regulations

To ensure the highest level of correctness and transparency in the pursuit of its business and within the relative company activities, TOD'S S.p.A. adopted its own **Organisation, Management and Control Model** (the "Model" or "Organisational Model") pursuant to the 30 January 2009

resolution of the Board of Directors, in compliance with the requirements of Legislative Decree 231 of 8 June 2001³.

In addition to ensuring application of correct corporate governance principles and in accordance with the ethical and social values underlying the Code of Ethics, the adoption of the Organisational Model and the Code of Ethics is an effective instrument with which to regulate the relations of all the employees and associates of the Group with the Group's stakeholders (suppliers, customers, public administration, partners, etc.) - preventing the risk of committing the offences included in Legislative Decree 231 of 2001.

Through its adoption of the Model, the Company intends to pursue the following objectives:

- make the recipients of the Model aware that by violating the provisions therein, they run the risk of committing illegal acts which could result in them receiving criminal penalties, as well as administrative penalties and disciplinary measures imposed directly by the Company;
- reiterate that the Company very strongly disapproves of these forms of illegal conduct, since they violate the law and the principles of ethics which it strives to follow in the conduct of its business;
- allow the Company, through monitoring of the areas of operations at risk, to immediately intervene or prevent the offences from being committed. The provisions of the Model are binding upon the directors and all persons whose duties involve the representation, administration and management, including the *de facto* management of the Company as well as the employees and contractors who are subject to the direction or supervision of the Company's management. The Model is periodically updated by the Board of Directors so as to reflect the offences that have been introduced in the meantime; the last update was approved pursuant to the Board's resolution on 19 April 2018. With the same resolution, the Supervisory Body was also renewed, a body with autonomous powers of initiative and control to ensure the correct implementation and observance of the Model and application of the necessary updates. Currently, this Body has three members: an independent director (who is the Chairman), a member of the Board of Statutory Auditors and the Head of the Internal Audit Department.

Upon completing the verification work for the period of reference, every half year the Supervisory Body submits a report to the Board of Directors. Moreover, the Body assists other departments/functions with supervisory duties to observe the rules of conduct included in the Code of Ethics and the Organisational Model.

³ In 2018, the two main Italian subsidiaries - Roger Vivier S.p.A. and Del. Com. S.r.l. -, by resolution of their respective Governing Bodies, adopted, respectively as of 2 August 2018 and 7 September 2018, their own Organisation, Management and Control Model, pursuant to Legislative Decree 231 of 2001, also establishing their own Supervisory Body. On 21 October 2019, the Board of Directors of Tod's S.p.A. approved, according to article 2505, paragraph 2, of the Italian Civil Code and article 24 of the Articles of Association, the merger by incorporation into Tod's S.p.A. of the wholly owned subsidiary Del.Com. S.r.l.

Anti-Corruption Policy

Over the past few years, the fight against corruption, both at a national and international level, has become increasingly important, as evidenced not only by the toughening of associated sanctions (i.e. fines, injunctions and detention), but also in terms of the reputational impact of this crime.

TOD'S Group, in its business activities, is committed to fighting corruption and to preventing the risks of illegal practices, at every working level and in every geographical area in which it operates, through the dissemination and promotion of ethical values and principles, as well as through provision of rules of conduct and effective implementation of control processes, in line with the requirements set out by applicable regulations and with international best practices. In this regard, with a resolution passed on 23 January 2019, the Board of Directors of the Parent Company TOD'S S.p.A. approved the Group's **Anti-Corruption Policy** (available at the following link:

<https://www.todsgroup.com/it/corporate-governance/procedures-and-guidelines>) in order to strengthen measures to prevent and combat potential corrupt practices.

This Policy applies to all corporate bodies, employees, agents, suppliers, associates and anyone assisting or taking part in any capacity in the pursuit of TOD's Group objectives, irrespective of their specific type of contractual relationship (hereinafter also "Recipients").

TOD'S Group is aware that this policy, which sets out in a clear and transparent manner the set of conduct standards to prevent, identify and manage the risks of corruption, as well as the rules and values that inspire the Group to achieve its business objectives, is of crucial importance to ensuring maximum transparency and fairness in the conduct of its business in all the countries in which it operates, protecting its image and reputation and meeting the expectations of all stakeholders.

By adopting and disseminating the Anti-Corruption Policy, TOD's Group intends to pursue the following goals:

- define an approach opposed to any form of corruption, censuring any type of unlawful behaviour as contravening not only the law, but also the ethical principles to which the Group subscribes in the course of its business activities;
- reinforce a corporate culture of integrity and compliance, as well as supervision of company operations and procedures, and interactions with third parties;
- define principles and rules of conduct that all Recipients must implement in order to prevent corrupt behaviour;
- make the Recipients aware that by violating the Policy, they run the risk of committing illegal acts that could result in them receiving criminal penalties, as well as administrative penalties

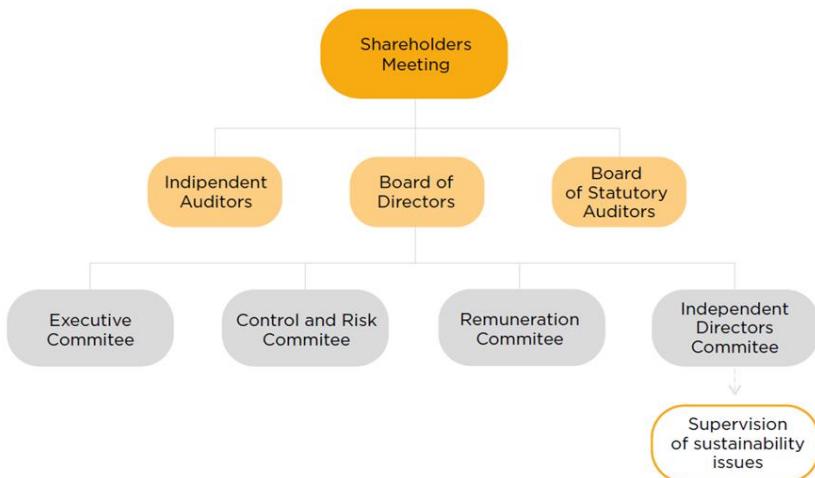
and disciplinary measures imposed directly by the Company.

Finally, all Recipients, should they become aware of any suspected breach of the Anti-Corruption Policy or of any behaviour that does not comply with the rules of conduct adopted by the Group's companies, can, through the established reporting channels, report such incident without delay to the Whistleblowing Office, the body tasked with supervising the implementation and dissemination of this Policy.

Moreover, with a resolution passed on 7 August 2019 by the Board of Directors of the parent company Tod's S.p.A., the **Supplier Code of Conduct**, based on international conventions and standards (ILO- International Labour Organization, UN - United Nations Universal Declaration of Human Rights), was adopted. This document, available at the following link (<https://www.todsgroup.com/it/corporate-governance/procedures-and-guidelines>) sets out the principles and rules of conduct with which the Group demands compliance to ensure fair, equitable, and sustainable working conditions throughout its own supply chain.

Corporate governance model

The Parent Company TOD'S S.p.A. has structured its corporate governance system along the lines of the principles and application criteria recommended by the Corporate Governance Code for Listed Companies (the "Code"), distributed by Borsa Italiana. TOD'S S.p.A. follows the traditional corporate governance system, as follows:



The **Shareholders' Meeting** is authorised to make resolutions, whether ordinary or extraordinary, on the issues placed under its competence by the Law or the Articles of Association.

The **Board of Directors** is vested with the broadest powers for the ordinary and extraordinary management of the Company, without limitations, and has the power to take all the actions that

it considers necessary for implementation or achievement of the corporate purpose, except the powers that the law vests in the Shareholders' Meeting exclusively.

The **Board of Statutory Auditors** is legally responsible for monitoring i) observance of the law and the Articles of Association and compliance with the principles of correct management; ii) the adequacy of the Company's organisational structure insofar as the areas that fall under its competence, the Company's internal audit and risk management system and its administrative and accounting system, as well as the reliability of the latter insofar as correctly representing the operating events; iii) the adequacy of the instructions given by companies belonging to TOD'S Group in relation to the information to be provided pursuant to disclosure obligations; iv) the procedures for implementation of the corporate governance rules as provided in the Corporate Governance Code for Listed Companies which the Company follows. Legislative Decree 39 of 2010 also requires the Board of Statutory Auditors to monitor, in particular, the financial disclosure process, the effectiveness of the internal control systems, the internal audit system, if applicable, and the risk management system, the legal audit of the annual accounts and the consolidated accounts and to ensure that the auditing firm is independent. Moreover, within the scope of the functions attributed to it by the Law, the Board of Statutory Auditors shall also monitor observance of the provisions set forth in Legislative Decree 254 of 2016.

The Independent Auditors are appointed by the Shareholders' Meeting to audit the accounts, in compliance with the Articles of Association. In compliance with the Italian Civil Code, an external auditor will perform its audit independently and autonomously and therefore shall not represent either the majority or the minority shareholders.

The Shareholders' Meeting appointed PricewaterhouseCoopers S.p.A. as the external auditor of the separate and consolidated accounts for the years 2012 to 2020.

The Financial Reporting Manager is also included among the corporate bodies. The following Committees have been established within the Board of Directors:

- The **Executive Committee**, which ensures that the Company has an agile decision-making process in place. It is vested with all powers which are not restricted to the Board of Directors pursuant to the law, the Articles of Association or the rules of Conduct endorsed by the Company;
- The **Control and Risk Committee** and the **Remuneration Committee**, the role of which is to advise and recommend;
- The **Independent Directors Committee**, established in implementation of Consob Regulation 17221 of 2010 containing the rules regarding Related Party Transactions (the "OPC Regulation"), which is vested with the role and the powers that the OPC Regulation assigns to a committee comprised exclusively of non-executive and independent directors with regard to material transactions with related parties; with its resolution on 25 January 2017, the Board of Directors also assigned the Independent Directors Committee the duty of supervising sustainability issues

related to business operations and to the dynamics of its interaction with all the stakeholders.

The Independent Directors Committee therefore:

- “examines and assesses the sustainability policy to ensure the creation of value over time for shareholders and for all the other stakeholders in compliance with the principles of sustainable development and the sustainability guidelines and objectives submitted each year for review of the Board of Directors;
- examines implementation of the sustainability policy on the basis of the indications provided by the Board of Directors;
- examines and assesses sustainability initiatives, including in relation to individual projects;
- examines the company's non-profit strategy and implementation thereof, including in relation to individual projects, and the non-profit initiatives submitted to it for review of the Board;
- on the request of the Board, expresses its opinion on other issues regarding sustainability”.

The composition of the **Board of Directors** as of 31 December 2019 is provided below:

Name	Position	Year of birth	Executive	Non-executive	Independent*
Della Valle Diego	<i>Chairman</i>	1953			
Della Valle Andrea	<i>Chief Executive Officer</i>	1965			
Abete Luigi	<i>Director</i>	1947			
Boscarato Maurizio	<i>Director</i>	1941			
Capparelli Marilù	<i>Director</i>	1974			
Dalmasso Sveva	<i>Director</i>	1956			
Della Valle Emanuele	<i>Director</i>	1975			
Del Torchio Gabriele	<i>Director</i>	1951			
Guglielmetti Romina	<i>Director</i>	1973			
Macchi di Cellere Umberto	<i>Chief Executive Officer</i>	1964			
Macellari Emilio	<i>Director</i>	1958			
Manes Vincenzo	<i>Director</i>	1960			
Oglio Cinzia	<i>Director</i>	1970			
Prandelli Emanuela	<i>Director</i>	1970			
Saviotti Pierfrancesco	<i>Director</i>	1942			

*Corporate Governance Code Independence and CFA (Consolidated Financial Act) Independence.

The current composition of the Board of Directors ensures gender balance in compliance with Law 120 of 2011 and article 17 of the Company's Articles of Association.

For further information regarding Corporate Governance please see the “Corporate Governance and Ownership Structure Report” prepared according to article 123-bis of Legislative Decree 58 of 24 February 1998 (the Consolidated Finance Act or CFA) for the 2019 financial year, approved by the Board of Directors in its meeting of 12 March 2020: the report explains in detail the corporate governance system of TOD'S S.p.A. and includes, in addition to the information required pursuant to article 123-bis par. 2 of the CFA, a comprehensive examination of the

current state of the implementation of the governance principles recommended by the Corporate Governance Code for listed companies, in compliance with the so-called “comply or explain” principle. The Corporate Governance and Ownership Structure Report, which we hereby refer to in full, is provided to the public together with the Directors’ Report on operations and the financial statements. It can be consulted in the Corporate Governance section on www.todsgroup.com.

Again on 12 March 2020, in observance of article 123-ter of the CFA and article 84-quater of Consob Resolution 11971/99 (the “Issuers’ Regulation”), as subsequently amended and supplemented, the Board of Directors of TOD'S S.p.A. approved the 2019 Remuneration Report. This Report has two sections: (i) the first covers the remuneration policy applicable to the members of the management body, the general manager and the key managers for 2020, and the procedures followed for adoption and implementation of this policy; (ii) the second provides information for each of the items comprising the remuneration report and describes the compensation paid in 2019 to the members of the administration and control bodies, the general manager and the key managers. The Report will be submitted for the approval of the Shareholders’ Meeting which has been scheduled for 22 April 2020. It will be called upon to make a resolution regarding the first section, which will be non-binding. The Remuneration Report is available at the Company’s headquarters and website www.todsgroup.com. It is furthermore noted that, although it is not included under the FTSE-Mib index, the Company, pursuant to the resolution of its board on 24 October 2016, voluntarily introduced as part of its internal control and risk management system, an internal reporting system to be used by staff for reporting any irregularities or violations of the regulations applicable and the internal procedures (so-called whistleblowing), in line with the best practices domestically and internationally, providing a specific and confidential information channel, and ensuring the privacy of the whistleblower.

Integrated risk management

According to the Corporate Governance Code for Listed Companies, TOD'S Group has a risk management system in place that ensures that the main risks to which the issuer and its subsidiaries are exposed are correctly identified, adequately measured, managed and monitored, while concurrently determining the degree to which these risks are in line with management of the company in pursuit of the identified strategic objectives. At least on a yearly basis, the Directors in charge of the Internal Control and Risk Management System will identify the main business risks, taking into account the characteristics of the activities of the Company and its subsidiaries, and submit these for examination by the Control and Risk Committee and the Board of Directors. It is hereby specified that the risk identification activity is carried out by way of Control and Risk Self Assessment interviews, in order to obtain a comprehensive overview of the macro types of risks potentially applicable (typically “strategic” or external risks) and through the

results of the internal audit of the company processes, in relation to operational, financial and compliance risks. Once the risk identification process is complete, the risks are assessed. This process streamlines the internal/external information, allowing management to implement the appropriate actions. Risks are assessed by means of an assessment process upon completion of which a qualitative and quantitative rating is assigned. The rating process associates, for each risk, the probability that the event will occur, and the impact that it would have. These probabilities are also expressed (where possible) in terms of the historical frequency with which an event has occurred as part of the company operations, also taking into account future scenarios involving repetition of the risky event. To ensure clarity and simplicity, the main risk factors affecting the company have been grouped into the following categories:

- **strategic:** risks characteristic of the business (such as for example risks connected to the demand dynamics of the "luxury goods" sector and the risks inherent in the localisation of reference markets) the correct management of which constitutes a competitive advantage, or, otherwise, a reason for failure to reach the company's medium/long-term objectives.
- **operational:** the risk of losses from inadequacy or inefficiency of the processes, persons or internal systems or the result of external events (such as for example, the timeliness of supplies, the concentration of suppliers, the handling of contractors/*façons*, security and confidentiality of company information, the risk of fraud, etc.). In the context of operational risks, given the digitalisation of processes and the creation of increasingly large information assets, cyber security risks are also identified.

In terms of operational risks, risks relating to potential internal and/or external fraud are also identified. As shown in the previous paragraph, the assessment of internal and/or external risk of fraud should be supplemented, if it arises, with any reports transmitted through the key communication channels available within the company and any specific assessments conducted as part of the updating of the organisational model pursuant to Legislative Decree 231 of 2001. To protect against such risks, the adoption, dissemination and implementation of the Anti-Corruption Policy and the Supplier Code of Conduct are recommended. For further information please refer to paragraph "*2.1. Compliance with laws and regulations*".

Finally, the Audit Plan Methodology provides for adoption of a systematic and structured process that also includes, among its various phases, the identification and association of an indication whether the risk involves IT, financial and fraud, with each Audit Object included within the scope of the Plan.

- **financial:** risks that have direct repercussions on the company's economic results and equity, and which are mainly connected to external factors such as foreign exchange, credit, interest rate and liquidity risk.
- **compliance/regulatory:** risks connected to failure to comply with the laws, regulations or provisions of the law and/or the regulatory and control authorities and unfavourable

amendments to the legal framework (such as, for example, any privacy laws or laws applicable to importing and exporting or which affect the commercial activities and distribution in the target markets, in addition to occupational health and safety).

The compliance category encompasses issues and potential risks related to privacy (such as, for example, and in purely potential terms, violation, improper use and accidental or illegal destruction of personal data and unauthorised access or modification of personal or sensitive information processed within the company). TOD'S Group oversees issues relating to privacy in a systematic and structured manner and has adopted suitable organisational, operational and technological measures to ensure compliance with the provisions of the European Regulation on the protection of personal data (GDPR - General Data Protection Regulation 679 of 2016), whose provisions became effective on 25 May 2018. All the risks included in the "health and safety at the workplace" risk category are identified and analysed by management, through preparation of the Risk Evaluation Documents by management pursuant to Legislative Decree 81 of 2008, including the assessment by task/work performed, the actions in place for the relative prevention and protection system, the procedures for responding to emergency and first aid situations, etc. The control activities carried out by the organisational figures required by the regulation also include monitoring activities carried out by the Supervisory Body pursuant to Legislative Decree 231 of 2001. The adequacy of working conditions in its production plants and workplaces is therefore constantly monitored and evaluated by the Group. To formalise this commitment, project activities were undertaken by the Group in order to adopt an ISO 45001:2018 health and safety management system.

Since 2017, TOD'S Group, aware that handling of ESG issues (environmental, social and governance) is becoming a more and more integral part of its own business system and is necessary for creating value over time while concurrently ensuring ethical, responsible and transparent management of its activities, in addition to updating the risk factors identified previously and in line with best practices, has analysed:

- the **correlation of the major "material issues"** (in economic, social and environmental terms), whether for the Group or for its stakeholders, with the corresponding risk factors identified by its risk assessment activity;
- the **risk factors with the most "reputation impact"** in order to verify placement of each risk factor within the Group. With reference to ESG issues, the following risks have been mapped out: non-compliance with the laws on occupational health and safety, the administrative responsibility of entities pursuant to Legislative Decree 231 of 2001, corruption, non-compliance with applicable laws regarding sales and distribution, inadequate anti-counterfeiting measures, inadequate quality of raw materials, inadequate workmanship, inadequate management of contractors/the supply chain, adequacy of staff skills and localisation of markets/country risk. With particular reference to the risk of engaging in conduct that could potentially be linked to

corruption (active and passive) in all the countries in which the Group operates, we note that the main risk factors that are theoretically applicable (mapped as part of the assessment activities pursuant to Legislative Decree 231 of 2001, as well as in the project activities aimed at the adoption, dissemination and implementation of the Group's Anti-Corruption Policy and Supplier Code of Conduct) refer to the following areas and company processes: activities connected with the procurement of goods and services and the management and development of real estate assets in regard to relations with public entities/local authorities for applications for permits, authorisations and measures, etc.

With particular reference to the social sphere, in order to manage human resource management risks, subject to the monitoring and control tools in place, the Group has declared its commitment to implementing human resource management policies and procedures. These policies and procedures will allow the Group to constantly monitor the management model's adequacy for the mitigation of associated risks.

With regard to environmental risks, we note that these risks are mapped as part of the assessment activities for offences included in Legislative Decree 231 of 2001. Given the reference sector and business model adopted, this risk should be considered negligible. However, as a further safeguard, in 2019 the Group prepared the **Environmental Policy**, which defines the Group's principles and commitments on environmental issues, and launched project activities aimed at implementing an ISO 14001:2015 environmental management system, whose scope of application will cover the Brancadoro complex: the headquarters, the production plant, the raw materials warehouse and the outlet. This management system is part of a larger project that has led the Group to adopt an Environmental Policy that defines the guidelines, principles and best practices that should be applied in this area.

Finally, in relation to the potential exposure to risks inherent in the supply chain, given the typical nature of the sector in which the Group operates, there could be cases involving external individuals entering or who have entered into collaborations with TOD'S Group but do not comply with the regulatory requirements, in violation of the strict obligations contractually undertaken with TOD'S, and/or who do not respect their contractual obligations, including the principles contained in the Group's Code of Ethics and Supplier Code of Conduct.

In this regard, TOD'S Group has adopted numerous control tools, for example related to respect for human rights and the dissemination of responsible procurement practices along the supply chain. Specifically, the Group adopted the **Supplier Code of Conduct** with a resolution passed by the Board of Directors of Tod's S.p.A. on 7 August 2019. Moreover, in order to monitor correct application of the principles contained in the Supplier Code of Conduct, the Group has launched a third-party audit process in the production chains on environmental and social issues, human rights, health and safety, and ethical principles.

In order to minimise the likelihood of potential risks related to relevant sustainability issues, the Group has started a process to structure and formalise its approach to sustainability.

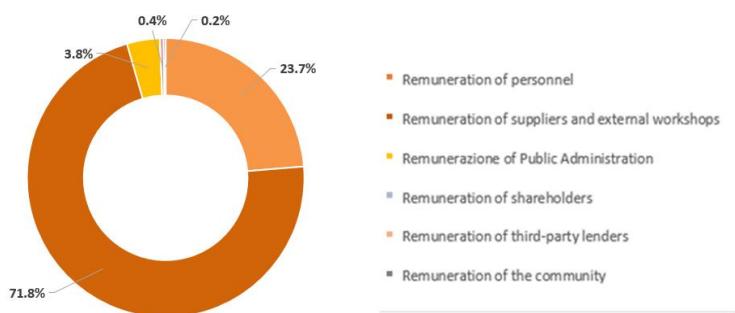
As reported in the previous Non-Financial Statement, in 2018 the Group's **Sustainability Policy** and **Sustainability Plan** were implemented and approved, with the aim of promoting the dissemination of social and environmental sustainability principles. An update process was initiated in 2019 for the latter.

Finally, in 2019, the Group updated its materiality analysis. The purpose of this update was to assess the relevance, both for the Group and for its stakeholders, of the main sustainability issues in economic, social and environmental terms in the target sector.

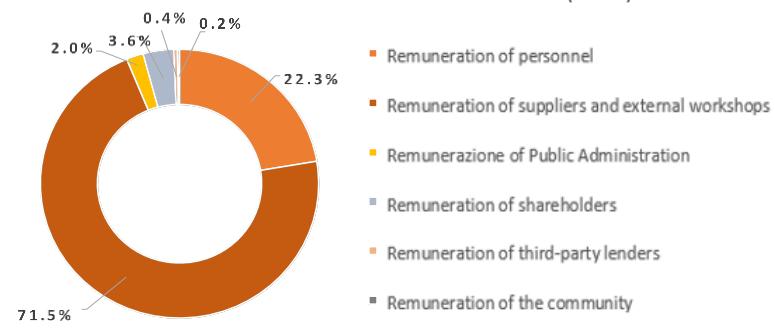
Creation of economic value

The economic value statement is a restatement of the consolidated income statement, representing the wealth produced and distributed by TOD'S Group among its stakeholders. In 2019, the **economic value generated** by TOD'S Group was equal to €990 million, an increase compared to the economic value generated in 2018 of €943.9 million. The **economic value distributed** increased from €930.6 million in 2018 to €944.4 million in 2019. In particular, approximately 95.4% of the economic value created by TOD'S Group was distributed to the stakeholders, both internal and external, while the remaining 4.6% was kept within the Group. Among the stakeholders, in 2019 the suppliers and external workshops was the group to which the largest portion of the economic value was distributed (71.8% of the total value); this value is substantially aligned from 71.5% in 2018. Similarly to 2018, in 2019 in addition to suppliers and external workshops, the other stakeholder category to which a significant portion of the economic value was distributed was staff, who received 23.7% (up from 22.3% recorded in 2018) of the economic value generated by the Group. No economic value, however, in 2019, distributed to the shareholders (in 2018 it was equal to 3.6%).

Distribution of economic value (2019)



Distribution of economic value (2018)



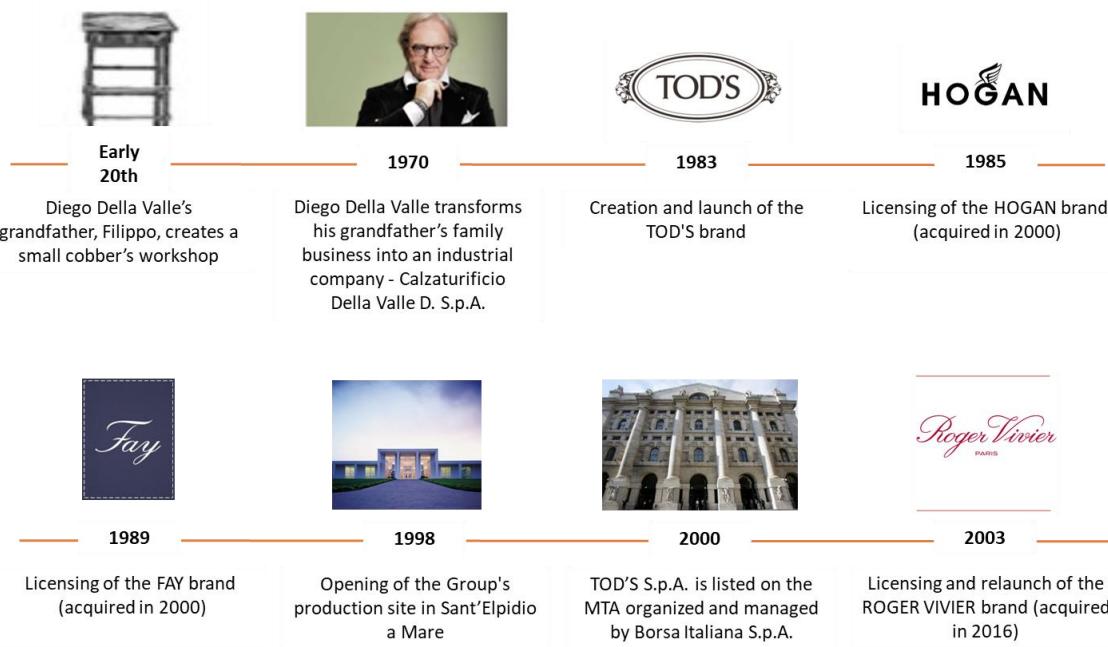
3. Tradition and innovation

*TOD'S Group boasts a history based on solid, enduring foundations, on values that have been constantly strengthened for over 100 years, so much so that they constitute the essence of the brands and have brought them international recognition: these values are part of **tradition**, understood as quality, an inherent element of Made in Italy production that is evident in all its products, and expertise, understood as a set of artisan skills handed down from generation to generation. Bolstered by these values, the Group has always promoted their development and protection throughout the supply chain and encouraged their spread among its customers in order to create responsible value in the long term.*

*Though the Group has upheld its values over time, they have not remained static: they have developed in line with the needs of its stakeholders, according to the Group's desire to always respond in a new and original way to their needs, combining tradition and **innovation** and staying true to its mission: to offer a worldwide clientele products of the highest quality that meet their functional and aspirational needs.*

3.1 The history of TOD'S Group

Tradition, quality, ethics, excellence, craftsmanship and Made in Italy: these values, on which TOD'S Group has built its history, continue to be passed down and preserved with extreme care. It all started at the beginning of the 20th century, when Filippo Della Valle, the grandfather of Diego Della Valle, created a small cobbler's workshop. His work and passion were handed down to his children, who created the outstanding footwear business which, since then, has always distinguished the Group.



Over the years TOD'S has expanded its product range, including through the launch and acquisition of prestigious brands, but this has never impacted the founding values of its identity, which, combined with the fundamental component of **innovation**, have enabled the Group to establish itself as one of the leading players in the production and distribution of footwear, leather goods, clothing and luxury accessories.

The TOD'S Group brands

Today, TOD'S S.p.A. is an operating holding company of an internationally-renowned group that operates through the **TOD'S**, **ROGER VIVIER**, **HOGAN** and **FAY** brands.

Though they each have their own distinct identity, the Group's brands share the same philosophy based on a balanced mix of tradition and modernity, high quality, creative content and broad product usability. The high quality of the products is guaranteed by the important role of manual work in all stages of the production chain:

An icon of Made in Italy, the **TOD'S** brand represents a lifestyle that combines timeless elegance and uncompromising quality. A lifestyle intrinsically linked to the concept of Italian spirit, good taste and savoir-vivre. Synonymous worldwide with an unmistakable, discreet and sophisticated style, in its women's and men's collections of shoes and leather goods, TOD'S has created, throughout its history, models that have become true style icons of modern luxury. First and foremost the *Gommino* in its various versions, the D Bag and many others.

Each product is manufactured using the precise techniques of the finest Italian craftsmanship, which enable the creation of extraordinary objects that are imitated and sought-after all over the planet. Through a meticulous series of checks and controls, exclusive products, loved by celebrities and leaders around the world, are produced every day.



'80s



'90s



2009



2015



2016

Launch of the *Gommino* and a few years later of the *Winter gommino*, brand icons and authentic emblems of the values of tradition and innovation that TOD'S pursues in every product.

Launch of **D-bag**, inspired by Princess Diana, an example of outstanding artisan workmanship, made only with fine leathers, the perfect expression of luxury interpreted by TOD'S.

Launch of the **D-styling**, a modern, functional bag with a contemporary silhouette that has been popular among celebrities and sophisticated consumers for years.

Launch of the **Wave bag**, a true design object characterized by the trademark rubber on the patch, always made from high-quality materials and in special versions with outstanding style content.

Launch of the **Double T collection**, the brand's diverse collection identified by the Signature accessory in metal or covered in leather



2017 - 2019

Tod's creates the **No Code** innovation lab and presents the **shoecker 01** and **02**. In 2019 the **No code** collection is expanded with the **No code X**



2019

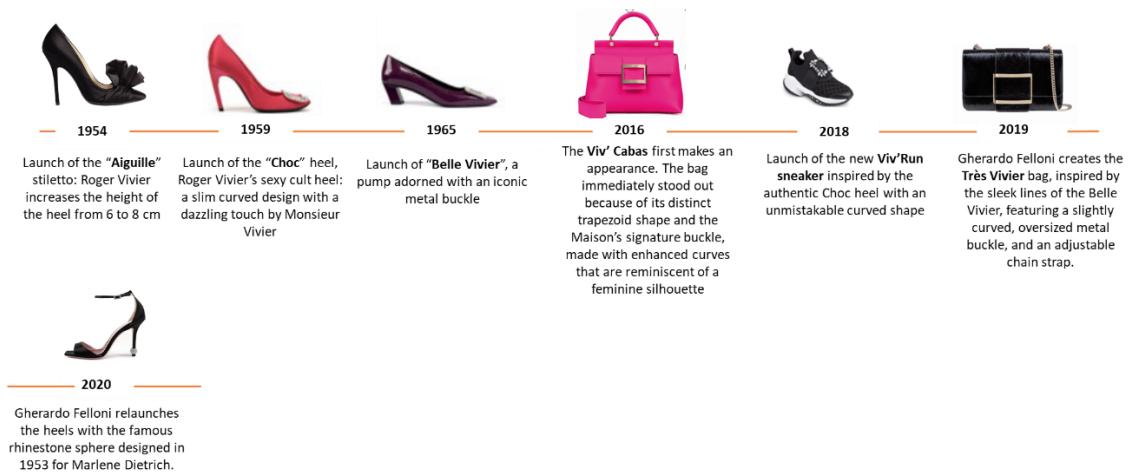
Taken from the Tod's archives and given a contemporary makeover, the **T timeless** accessory becomes the underlying theme of a collection of iconic men's and women's luxury items inspired by the mantra of timeless elegance.

Monsieur **ROGER VIVIER**, who created the first stiletto heel in the '50s, designed extravagant and luxuriously embellished shoes that he described as sculptures. A skilled artisan who loved feminine elegance, Vivier elevated shoes to art objects through the *savoir-faire* of French

embroidery houses. Today, the artistic heritage and excellent traditional roots of the Vivier fashion house have been given a new lease of life.

Thanks to the Group's work, Monsieur Roger Vivier's creativity and vision live on and new chapters are added to this unique story every season, which goes beyond footwear expertise and includes bags, small leather goods and jewellery.

Today, ROGER VIVIER's womenswear is sophisticated and elegant, yet slightly eccentric: it is designed for a woman who tries, through her clothes, to express her timeless elegance, without forgetting to add a cheeky, extravagant touch.



In 1986, **HOGAN** was founded together with a new concept of footwear: luxury sneakers that harmoniously combine sporty features and urban elegance. Today as then, the brand represents a pioneering vision of the concept of casual luxury with its exclusive lifestyle, suitable for any occasion: contemporary and dynamic, informal yet sophisticated.

The brand has been a trendsetter since the early '90s with the "Interactive" sneakers: this icon is still one of the most imitated HOGAN models, the innovative brainchild of the entrepreneur, who made the distinctive "H" code the brand's global symbol.

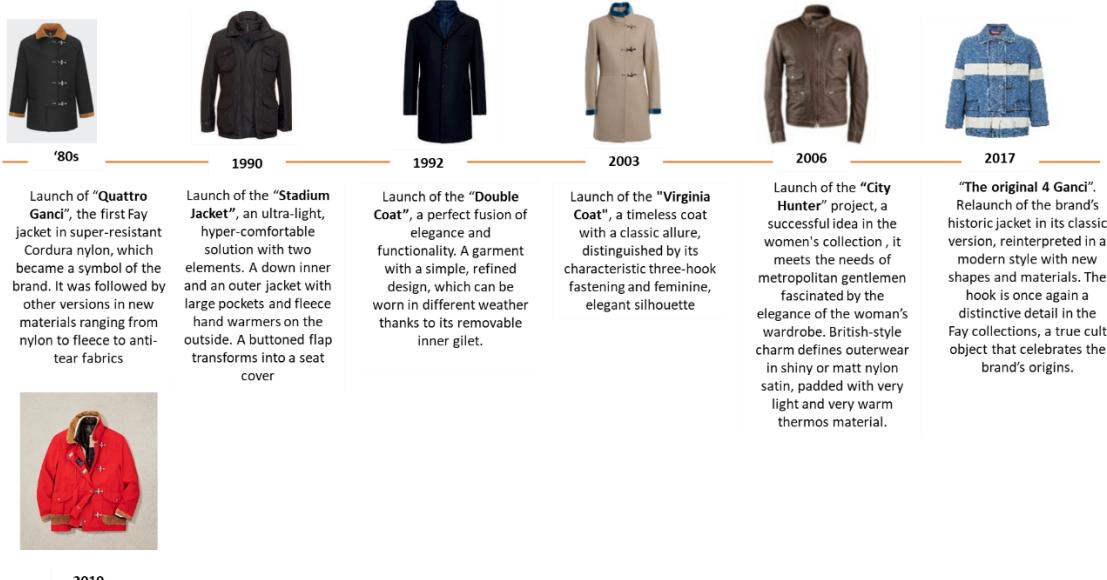
An Italian brand with a strong international appeal, HOGAN loves to combine tradition and aesthetic innovation with the quality of the best materials. This combination distinguishes the timeless approach embodied by the brand's iconic products: objects designed to preserve their value over time, interpreting the wearer's lifestyle with a highly contemporary look.



The **FAY** brand's history dates back to the early '80s, in the United States, when Diego and Andrea Della Valle discovered the work jackets worn by firefighters in Maine. Realising its potential, they took over the **FAY** brand, specialised in technical clothing for fishermen and firefighters, introducing it in Italy with a precise idea: to offer workwear for urban use.

The work jacket thus became an ideal city garment and the 4 Ganci Fay soon gained cult status in international capitals. This iconic jacket has been constantly reinterpreted and is accompanied by a line of clothing, predominantly outerwear, which is distinguished by its technical treatment of fabrics, attention to detail and extremely functional garments.

Strongly linked to the tradition and elegance of Made in Italy, today **FAY** continues to communicate its distinctive spirit, combining innovative materials and the timeless characteristics of authentic Italian outerwear: style, excellence and versatility.



'80s

Launch of "Quattro Ganci", the first Fay jacket in super-resistant Cordura nylon, which became a symbol of the brand. It was followed by other versions in new materials ranging from nylon to fleece to anti-tear fabrics

1990

Launch of the "Stadium Jacket", an ultra-light, hyper-comfortable solution with two elements. A down inner and an outer jacket with large pockets and fleece hand warmers on the outside. A buttoned flap transforms into a seat cover

1992

Launch of the "Double Coat", a perfect fusion of elegance and functionality. A garment with a simple, refined design, which can be worn in different weather thanks to its removable inner gilet.

2003

Launch of the "Virginia Coat", a timeless coat with a classic allure, distinguished by its characteristic three-hook fastening and feminine, elegant silhouette

2006

Launch of the "City Hunter" project, a successful idea in the women's collection, it meets the needs of metropolitan gentlemen fascinated by the elegance of the woman's wardrobe. British-style charm defines outerwear in shiny or matt nylon satin, padded with very light and very warm thermos material.

2017

"The original 4 Ganci". Relaunch of the brand's historic jacket in its classic version, reinterpreted in a modern style with new shapes and materials. The hook is once again a distinctive detail in the Fay collections, a true cult object that celebrates the brand's origins.

2019

Fay presents Fay Archive: the spin-off designed to celebrate the brand's workwear heritage through versatile, hard-wearing garments that tell the amazing story of the label, combining the spirit of American work jackets with the innate style of Italian men.

WALTER CHIAPPONI Tod's New Creative Director



In October 2019, TOD'S Group announced the appointment of **Walter Chiapponi** as the new Creative Director of the TOD'S brand's women's and men's collections, starting from the Fall/Winter 2020/21 collection, in stores from autumn 2020.

Chairman Diego Della Valle described the new director as "*a talented Italian designer who has the knowledge and ability to successfully combine the TOD'S Italian lifestyle with a touch of modernity, without ever losing sight of the outstanding quality and craftsmanship that constitute the brand's DNA*".

T FACTORY 2 - *Tod's Happy Moments by Alber Elbaz*

In recent years TOD'S has initiated **T FACTORY**, a series of collaborations with people from different creative fields, who are invited to interpret TOD'S brand identity according to their sensibilities and perspective. This dialogue has resulted in several capsule collections and seasonal limited editions, which have combined TOD'S style with the artists' creative vision.

In 2019, **Alber Elbaz** was welcomed to T Factory and designed the "*Tod's Happy Moments by Alber Elbaz*" capsule collection. He has given his personal touch to TOD'S heritage: starting with the iconic Gommino, he has transformed its identity for a new generation, creating new possibilities for driving shoes, making them aerodynamic, colourful, unstructured or mounted on sneaker soles. *Tod's Happy Moments* expresses the joy that TOD'S offers at different

times of day or in different moments of life. The concept behind the collection is that TOD'S makes you happy! Happy to job interview, to dance in the street, to groom on their wedding day or to receive present; a happy and inclusive family, all TOD'S is part of the happy moments of impresses and energizes, going straight you race faster towards your goal, with

be on time for your first coordinate the bride and TOD'S as a birthday together in TOD'S. everyday life: it swiftly to the heart. TOD'S lets style and comfort.



Fortuitous encounters can happen. Indeed, it was by happy coincidence that Alber Elbaz used

neoprene to create a techno look and metallic finish for a touch of shine. His idea of happiness is all-encompassing: it envelops everything, from the logo to product packaging, shoes, bags and T-shirts. Happiness is contagious and immediate, as joy always should be.

"Tod's Happy Moments by Alber Elbaz" was presented for the first time in Paris in July and, subsequently, was also taken to other international capitals, in selected boutiques and on TOD'S online channels.

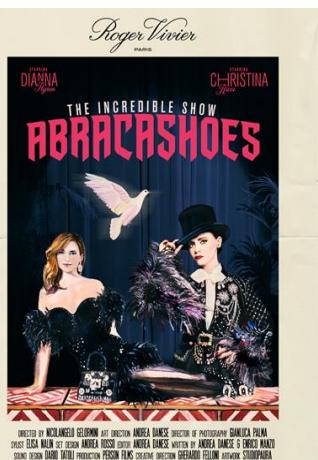
"Shoes! Shoes! Shoes!"



Roger Vivier presented **"Shoes! Shoes! Shoes!"**, a Cinema Vivier production inspired by Creative Director Gherardo Felloni's love of cinema. Filmed with a vintage camera, this smart, witty film evokes French director Charles Pathé's unmistakable approach to film journalism, a genre that combined information and entertainment.

Paying homage to the golden age of Parisian fashion, when fashion shows and dress rehearsals were held directly at the fashion house's headquarters, *"Shoes! Shoes! Shoes!"* revealed the secrets of the *atelier* where the designer's imagination brings products to life. The model, **Pauline Jacquard**, showcased the new collection by parading in front of the designer and his assistant, played by French theatre actress **Angèle Micaux**. Pair after pair, she showed off a sophisticated selection of shoes, until the triumphant entrance of the fashion house's ambassador, the inimitable **Ines de la Fressange**, who teaches everyone how to embody the Vivier style.

"Abracashoes!"



Roger Vivier presented **"Abracashoes"**, a new film that puts the spotlight on one of the fashion house's most iconic models: *Belle Vivier*. Based on an idea by Creative Director Gherardo Felloni, *"Abracashoes"* features Hollywood actresses Christina Ricci and Dianna Agron.

Ricci has won numerous awards in her career, including a Satellite Award for Best Actress, and has been nominated several times for Golden Globe, Emmy and Screen Actors Guild awards. Felloni, who grew up with Ricci's films and is the same age as her, considers her a cult actress. Retracing her filmography, from *Mermaids* to

the Addams Family and Buffalo '66, Felloni has nothing but positive memories. *"Christina is one of my favourite actresses – I admire her so much,"* he says. *"She attended our Hotel Vivier event in Los Angeles and also works with Tim Burton, who I really like as a director."*

Agron is famous for her role as Quinn Fabray in Glee. Felloni was inspired by the famous TV series for Hotel Vivier Call Time, dedicating one of the rooms to the cast's performance accompanied by Aretha Franklin's "I Say A Little Prayer". According to the Creative Director, Dianna is *"a very talented young actress. Her beauty immediately caught my attention."*

"The starting point was the iconic Vivier buckle shoes, and in particular the idea that women could collect and desire as many as 100 or 200 pairs of shoes." – **Gherardo Felloni**

"The Way I Want"



Roger Vivier presented **"The Way I Want"**, a music video launched on 28 October 2019. Filmed in Los Angeles, it stars Petite Meller, a French avant-garde singer known for her unmistakable look and nouveau jazz pop sound. *"I love working with different artists whose creativity is a source of inspiration for me, such as dancers, actors and musicians,"* explains Creative Director **Gherardo Felloni**. *"Petite is an artist with a vivid imagination and distinctive, marvellous look and style. Of course she's also an extraordinary singer and the fact that she wrote a song exclusively for Roger Vivier fills us with pride."*

The fashion house and the artist collaborated on this project to present the Viv' Skate sneakers, one of the season's most popular models. The song in the video, "The Way I Want", was specially written by Petite Meller for Roger Vivier, with the aim of capturing the young, carefree spirit of Viv' Skate. *"For me, working with the historic French fashion house Roger Vivier coincided with a sublime moment of creativity,"* commented Meller. *"Roger Vivier represents the New Wave film movement that I grew up with and was inspired by. Seeing Catherine Deneuve wearing Roger Vivier shoes in Belle de Jour, my favourite film, and finding myself working with the same fashion house decades later was a dream come true. Travelling around Los Angeles with my friends made me realise that my life is exactly 'The Way I Want'".* The song will also be released worldwide on Petite Meller's YouTube channel.

FAY Archive: Forged in the USA, cooled in Italy



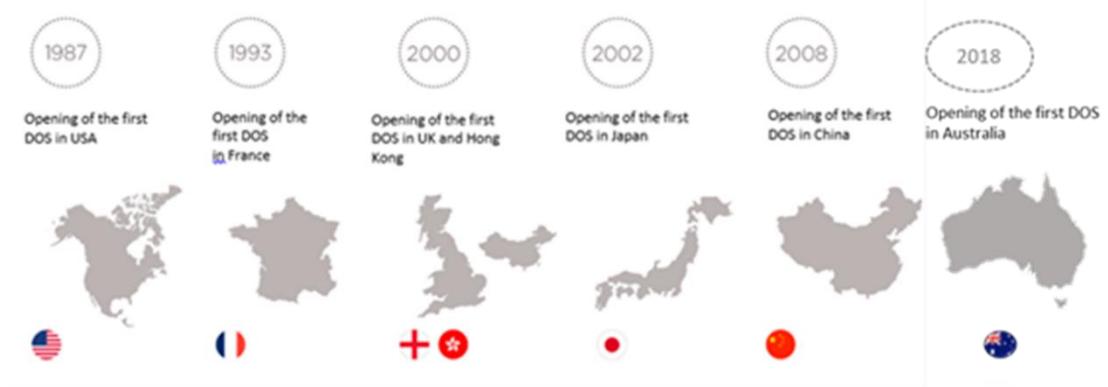
2019 marked the start of the journey into the brand's archives, exploring the union between the authentic spirit of American workwear and innate Italian taste: **Fay Archive** starts from Fay's DNA, celebrating its origins and expanding them to wide-ranging adventure needs, from the city to the great outdoors.

The result is a contemporary edition of the glorious 4 Ganci, which introduces new chapters of a story full of versatile garments for long-term use, timeless icons freed from the succession of seasons and fashions. Owning a Fay Archive means expressing a constantly up-to-date outdoor style.

Distribution network and international expansion

The prestige of the brands distributed and the high specialisation required to present products to customers make it necessary to distribute products via a network of highly specialist stores. To this end, the Group mainly uses three channels: **directly operated single-brand stores (DOS)**, franchised stores and a series of independent multi-brand stores selected on the basis of their suitability to the brands' positioning, their location and the level of service offered to customers, as well as the visibility that they can provide for products (**wholesale distribution**). Additionally, the **e-commerce channel** is becoming increasingly important both strategically and in terms of values.

The Group began its international expansion in 1987 with the opening of its first direct store in the United States, in New York. Following the consolidation of the market success of its products in Italy, the Group, in order to guarantee a direct presence on the strategic, respected markets, advanced its expansion strategy in foreign markets by opening its first boutique in France in 1993, in the prestigious *Rue Faubourg Saint Honoré* in Paris and, subsequently, in several European markets including in England in 2000. After consolidating its presence in the European markets, the Group began to penetrate the Asian markets, opening its first store in Hong Kong in 2000, followed by openings in Japan and China, respectively in 2002 and 2008. Expansion into new markets has continued over the last two years with the opening of direct stores in Australia in 2018 and Canada in 2019.



The Group's strategic focus has historically centred on the development of the DOS and franchised store network, since these channels allow greater control of distribution and more faithful communication of individual brands' images. Moreover, in some markets, the Group has a presence in independent multi-brand stores, a channel that plays a central role for the Group. As of 31 December 2019, the single-brand store distribution network consisted of a total of **290 DOS** and **115 franchised stores**, broadly in line with the single-brand store distribution network as of 31 December 2018, which consisted of 284 DOS and 120 franchised stores.

The **e-commerce** channel, which has been under development for several years, is playing an increasingly central role in the evolution of the Group's distribution strategies, in line with the sector's rapidly changing trends. The Group's brands' e-commerce sites currently operate in 34 countries around the world (1 of which was launched in 2019) with a primary focus on the North American, European and Chinese markets.

3.2 Responsible management of the supply chain

TOD'S Group boasts a long history in the production and marketing of footwear, leather goods and clothing, distinguished by different brands, all equally characterised by high quality, exclusivity and a recognisable style.

A distinctive element of the Group's production processes, which guarantees the prestige and exclusiveness of the brands, is its careful internal control of the entire production chain from the creative stage to the production of prototypes, to the selection and procurement of raw materials and components, and finally to the creation of products. The production of footwear and leather goods is carried out in internal facilities and workshops owned by the Group or in specialised external workshops. The latter are entirely located in areas that have a historic tradition of footwear and leather goods production, a guarantee of manual expertise and professional workmanship. For the production of its clothing line, the Group relies on selected specialised external workshops.

The uniqueness of the Group's products has always been based on **values** such as craftsmanship, design, creativity, tradition, innovation, quality and the promotion of Made in Italy. Over the years, the Group's product range has evolved in line with customer needs and the values inherent in each of the Group's brands. These values are expressed in the **Supplier Code of Conduct**, approved by the Board of Directors with a resolution passed on 7 August 2019 and available at the following link (<https://www.todsgroup.com/it/corporate-governance/procedures-and-guidelines>).

Supplier Code of Conduct

The Supplier Code of Conduct, based on **international conventions and standards** (ILO - International Labour Organization, UN - United Nations Universal Declaration of Human Rights), sets out the principles and rules of conduct with which the Group demands compliance to ensure fair, equitable, and sustainable working conditions throughout its supply chain.

The Code covers the ethical principles and rules of conduct that supplement and enhance the legal, contractual, regulatory and procedural provisions that characterise the commercial relations between the Group and its main strategic partners along the production chain.

The Code contains standards and rules of conduct relating, but not limited to, business integrity and ethics, social responsibility and care for workers, product responsibility, respect for the environment, worker health and animal welfare.

In 2019, all necessary initiatives were undertaken to inform and raise awareness among the Code's recipients. These activities included a formal commitment to comply with the principles and rules set out therein, as well as the implementation of a monitoring process to check compliance with its provisions through third-party audits.

Should any recipient become aware of conduct which does not conform to rules implemented by TOD'S Group, or to any suspected violation of the Code, they are required to promptly inform the Group's relevant Departments through the established reporting channels.

Supply chain quality

All the Group's commercial partners, whether suppliers or external workshops, from the raw material procurement stage to production management and product distribution, play a crucial role in the pursuit of qualitative excellence. To this end, TOD'S Group carefully selects its partners, favouring established collaborations and solid, long-lasting relationships aimed at maintaining the standards of excellence and quality that have always distinguished its products.

Craftsmanship: a value to pass down

Artisan skills are not only key to the Group's creation of high-quality products, but also an important component of the technical and cultural heritage of Made in Italy production. For this reason, TOD'S Group is committed to preserving this value, encouraging young people to enter the world of craftsmanship, which still offers major employment opportunities in Italy, combining innovation and tradition. For this reason, it remains committed to the company's "Bottega" academy, which, since 2015, has trained and continues to train a large group of young people, offering them an insight into the world of craftsmanship in order to give them an interesting, prestigious training experience consisting of classroom activities and on-the-job training, which in most cases leads to them being hired at one of TOD'S Group's production plants.

This experience enables the transfer of skills from master craftsmen to younger generations, facilitating their dissemination and preserving the undisputed excellence of the Made in Italy tradition for new generations.

The training activities in 2019 were designed to train new employees for the launch of the new production plant in Arquata, implemented as a social responsibility project in an area devastated by the 2016 earthquake, with the goal of preventing depopulation in the area. The training also aimed to facilitate generational change in the Group's production facilities, with particular reference to the leather goods division plants.

In 2019 the project was extended abroad through collaboration with Cuban schools, with the aim of establishing a training plan that will last over the years.

The extension of the project included the opening of a workshop for the production of contemporary design products and high-quality craftsmanship in the leather goods and metalworking sectors, with the aim of offering an innovative proposal that pursues sustainable development models. The project, which is based in Italy and has an operational office in Cuba

(Cuba Lab), combines the Made in Italy tradition with the artisan spirit of traditional Cuban leather goods, striving for social and environmental sustainability. Indeed, to make all its products, Cuba Lab uses **sustainable materials** (leather from food waste, tanned with substances that are not harmful to the environment, along with recycled fabrics and paper), and to process them it uses, from among its various production workshops, the San Patrignano social rehabilitation workshop, where work is a means of re-education and social dignity.

Outstanding raw materials and promotion of Made in Italy

In order to guarantee excellent products, structured processes are adopted to research and select the best raw materials (leather, accessories and fabrics), combining quality, tradition and innovation. In its constant pursuit of these values, the Group continues to collaborate with the best tanneries, as well as researching, where available, new developments and new stylistic trends at trade fairs.

When selecting raw materials, the Group prefers to establish partnerships with the best suppliers in Italy. This preference is evidenced by the fact that in 2019 the total cost of the **procurement of raw materials from Italian suppliers** amounted to 97% of the total supply budget for the Footwear Division, 99% for the Clothing Division and 97% for the Leather Goods & Accessories Division.

In 2019, the Group collaborated with a total of 543 suppliers, including 253 for the Footwear Division, 71 for the Leather Goods & Accessories Division and 219 for the Clothing Division. The overall figure is up by 9.7% compared to last year.

No. of suppliers by geographical area and product category (%)

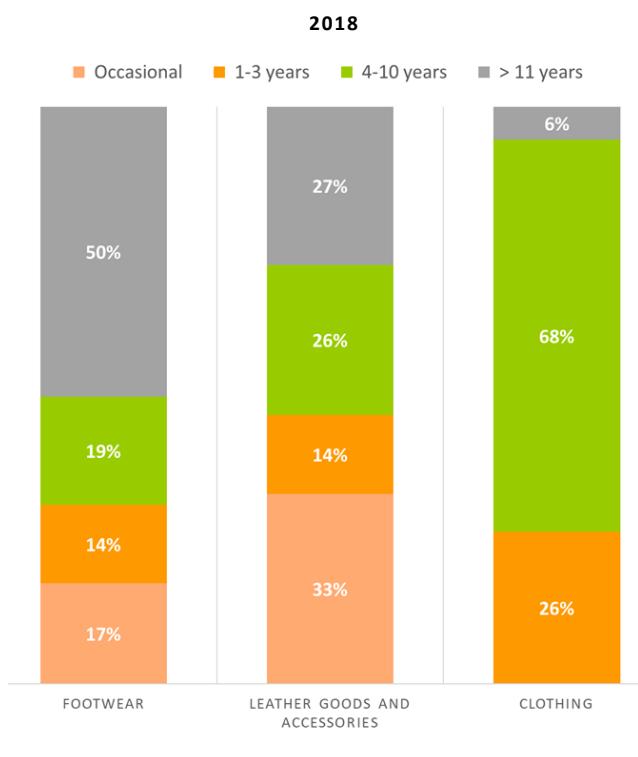
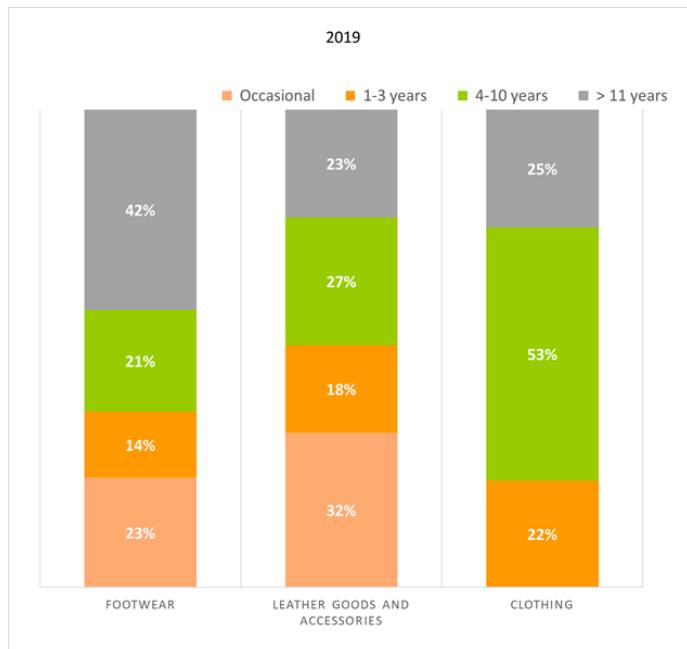
Region	2019			2018		
	Footwear	Leather goods & accessories	Clothing	Footwear	Leather goods & accessories	Clothing
Italy	92.1	95.8	93.6	91.1	97.3	94.3
<i>Marche</i>	30.8	14.1	10.0	28.2	19.2	12.0
<i>Tuscany</i>	26.5	46.5	23.7	29.1	38.4	23.4
<i>Lombardy</i>	13.4	18.3	29.2	15.0	20.5	29.2
<i>Veneto</i>	11.5	8.5	8.7	9.9	9.6	9.1
<i>Other Italian regions</i>	9.9	8.5	21.9	8.9	9.6	20.6
Europe	7.5	4.2	5.0	8.0	2.7	4.3
Americas						
Greater China						
Rest of the World	0.4		1.4	0.9		1.4
Total	100	100	100	100	100	100

In 2019, **Italian suppliers** accounted for a significant percentage of the total for all product categories, in particular with regard to the Leather Goods & Accessories Division (around 96%).

Only when the best raw materials for a single product category are not available in the local market, the selection process involves the best foreign suppliers (e.g. in France) that are able to meet the Group's quality and stylistic expectations, while guaranteeing the highest standards of technical reliability.

In order to ensure compliance with the common goals of Made in Italy excellence, quality and the fight against counterfeiting, the Group considers it essential to create and maintain long-lasting relationships with suppliers.

Suppliers by years of collaboration and product category



Raw materials purchased by type*

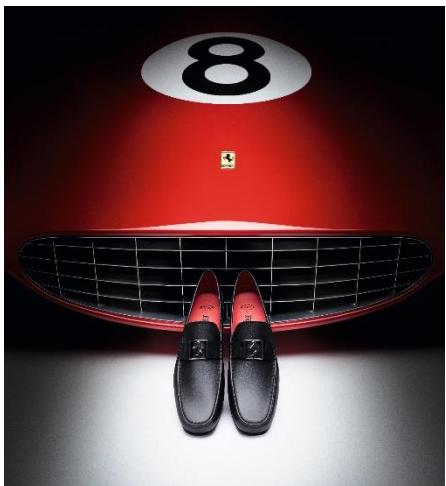
Typology of raw material	Unit of measurement	2019	2018
		Quantity/000	Quantity/000
Hides	Pq/000	17,551	19,651
Metal accessories and other materials	Pieces/000	26,605	28,325
Fabric for clothing	Meters/000	554	458
Fabrics linings for clothing	Meters/000	290	276
Bottoms	Pairs/000	1,933	2,111
Accessories	Pairs/000	883	1,054

* Purchases include the main raw materials supplied, according to the most representative measurement unit. The purchased raw materials, rather than the raw materials consumed, were reported. 0% of the reported raw materials are renewable.

TOD'S Group monitors substances deemed dangerous for the health and safety of the end user and harmful to the environment, putting environmental sustainability at the heart of its production processes. At the same time, in order to protect and safeguard its image and that of its brands with regard to checks by the relevant authorities, TOD'S ensures that its products comply with its RSLs (Restricted Substances Lists), which were developed in accordance with the guidelines of the Italian National Chamber of Fashion (CNMI) regarding eco-toxicological requirements, based on current regulations on the protection of health and safety and respect for the environment. To this end, TOD'S requires its suppliers to ensure compliance with the relevant standards regarding the materials supplied by signing special RSLs that list the obligations for each supplier and specify the substances and relevant regulatory restrictions by type of material and final destination. In addition, TOD'S Group carries out random tests on materials supplied to the Group in order to verify their compliance with current regulations.

In 2019, TOD'S launched a third-party audit process in its production chains on environmental and social issues, human rights, health and safety, and ethical principles.

TOD'S for Ferrari: Top-quality Italian-made footwear



In 2019, , TOD'S continued its ongoing collaboration with another outstanding Italian company, a Made in Italy global ambassador: Ferrari.

The two brands share the values that lie at the heart of the Italian tradition: passion, creativity and craftsmanship. **TOD'S for Ferrari** has thus become an unmistakably valuable collection of footwear and leather goods characterised by the use of fine high-quality, elegant materials.

The main star of the collection is the Gommino model, the TOD'S brand's modern style icon. In this case too every Gommino is sewn with up to 35 pieces of different leather, which are treated and checked manually by a TOD'S craftsman before assembly. Every single stage of the production process is performed by a professional with specific skills and the TOD'S for Ferrari logo is only applied to the Gommino after meticulous checks.

Starting in 2018, the custom-made products project is also available for the TOD'S for Ferrari Gommino.

Green Carpet Fashion Awards



In September 2019, at the Green Carpet Fashion Awards organised in Milan, TOD'S created an exclusive cocktail dress with laser-cut details and sequins for actress Kasia Smutniak. The dress was made of chrome-free sheepskin worked with vegetable tanning and dyed with traditional Italian and natural techniques. Indeed, the TOD'S brand continues to collaborate with Livia Firth, founder of EcoAge, in order to develop creative lines that minimise the use of materials through innovation and the **promotion of sustainable practices**.

High-quality production processes

Though they have their own distinct identity, the Group's brands share the same philosophy based on a balanced mix of tradition and modernity, high quality, creative content and broad product usability.

The high quality of the products is guaranteed by the strong manual component that characterises all stages of the production chain: every product is made by hand with superior craftsmanship to become, after numerous steps and checks, an exclusive and recognisable item.

The production process for footwear, leather goods and leather accessories is carried out inside the Group's facilities and workshops or in specialised external workshops. The Group currently has five facilities for the production of footwear – four in Italy (one in Sant'Elpidio a Mare, one in Arquata del Tronto and two in Comunanza) and one in Albania –, a specialised workshop in Hungary where certain specific footwear processing sub-phases are conducted, and three leather goods facilities in Italy (two in Vallina and one in Tolentino).

The processing stage in the Group's facilities is carried out by **expert craftsmen** who, thanks to their consolidated working relationships with the Group, possess authentic know-how and artisan skills that are essential to the quality of the products. The specialised external workshops are located in areas with a long-standing artisan tradition. To produce its clothing, the Group uses highly specialised external workshops that meet the requirements of technical and qualitative excellence necessary for the creation of the individual products that make up the clothing line.

In its continuous pursuit of high quality standards, the Group relies on long-term collaborations with the best, highly-specialised external workshops that ensure high quality standards. When researching new workshops, the Group adopts structured qualification processes that provide accurate technical and organisational analysis to evaluate the characteristics of the production structure, the level of specialisation achieved, the company organisation and any UNI-ISO certifications obtained.

The external workshops that collaborate with TOD'S Group must operate in accordance with regulatory requirements regarding health and safety in the workplace and must possess all the qualifications and permits required by the relevant authorities. When conducting their work, the workshops are required to apply, in their internal and external working relationships, the industry's National Collective Bargaining Agreement and to scrupulously observe its application with particular reference to regularity in the recruitment process, the level of wages, periods of rest and vacation, aspects of protection of individual and collective safety and health, the absolute prohibition of the use of child labour and staff who are not in compliance with all applicable regulations.

The external workshops are also required to comply with the Code of Ethics and Supplier Code of Conduct.

Any violation of the aforementioned regulations and/or TOD'S Group's Code of Ethics and/or the Supplier Code of Conduct may result in termination of the contractual relationship.

In 2019, TOD'S launched a third-party audit process in its production chains on environmental and social issues, human rights, health and safety, and ethical principles.

The qualification of the Group's external workshops and their position in the Group's register are periodically evaluated to assess whether they have complied with the requirements inherent in the production structure and satisfied the high quality standards required, which are certified by inspections by external inspectors, who carry out technical analysis, and by checks conducted by the Group's quality control division.

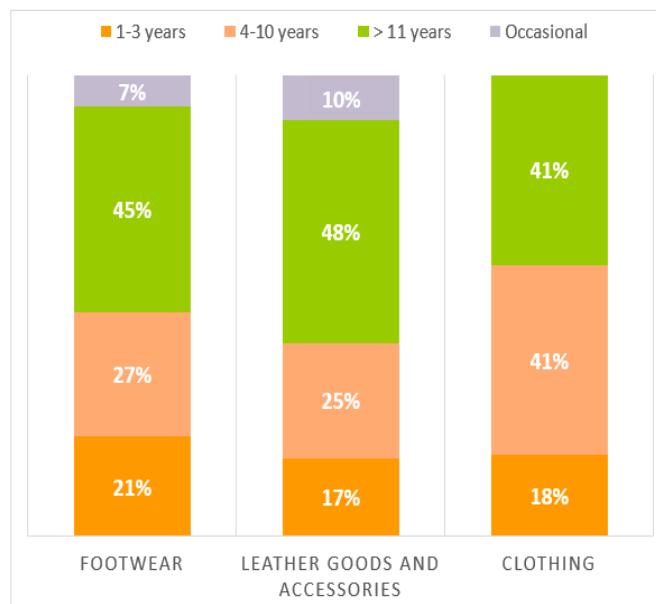
No. of external workshops by geographical area and product category (%)

Region	2019			2018		
	Footwear	Leather goods & accessories	Clothing	Footwear	Leather goods & accessories	Clothing
Italy	79.2	95.2	100.0	76.4	92.4	100.0
Marche	65.4	41.0	41.2	59.7	36.8	45.0
Tuscany	0.8	31.3	5.9	0.7	38.7	
Lombardy		2.4	17.6		2.8	10.0
Veneto		2.4	5.9		1.9	10.0
Other Italian regions	13.1	18.1	29.4	16.0	12.2	35.0
Europe	18.5	3.6		21.5	5.7	
Americas						
Greater China						
Rest of the World	2.3	1.2		2.1	1.9	
Total	100	100	100	100	100	100

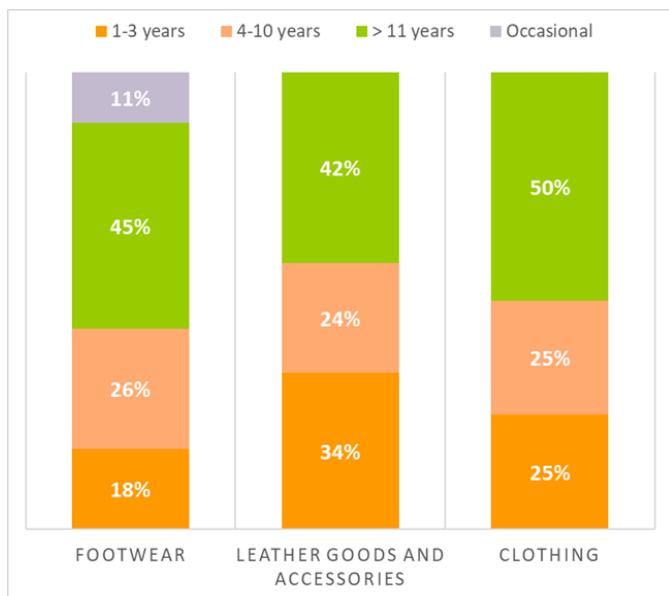
The external workshops, while showing a geographical distribution in 2019 that was almost in line with that of 2018, recorded an increase in the percentage of **Italian workshops** as a percentage of the total for the Footwear Division and the Leather Goods & Accessories Division. Moreover, in both 2019 and 2018, the Clothing Division exclusively worked with Italian workshops.

External workshops by years of collaboration and product category (%)

2019



2018



Quality checks

TOD'S Group is known throughout the world for the high quality standards of its products and for the image and prestige of its brands. To this end, it uses the best suppliers of raw materials and employs expert craftsmen who are able to guarantee the high standards of excellence for which the Group is known and respected.

The process aims to ensure customers the high quality standard traditionally guaranteed by TOD'S Group, which is based on structured process controls and systematic product checks. The process controls cover the different stages of the design of a new product, from the choice of material requirements to construction techniques, to industrialisation, to inspections of the quality of the raw material, components and semi-finished products, and finally to product quality checks. The Group's quality management of its processes is aimed at ensuring compliance with technical parameters and identifying the risk of any hidden defects that may arise during the use of the product, which cannot be identified from a "visual" inspection.

During the product design phase, the controls and checks carried out by skilled technical experts concern the quality of the "product design" and therefore include selection and analysis of the requirements of the best raw materials and components potentially used in the collections and of the construction and industrialisation techniques suitable to guarantee the required standards.

In the raw materials selection stage, the materials are subjected to static analysis and laboratory tests in order to verify that their characteristics reflect the parameters set out in the company's standards, which are intended to ensure that products are suitable and durable. The static material qualification process is followed by a prototyping stage, in which the materials are subjected to further evaluations from a technical and aesthetic point of view, including with the help of specific tests that analyse their durability.

If the prototype passes the control stages described above, the raw materials identified are considered suitable for the production of the products and it is therefore possible to proceed to the product procurement and production stage.

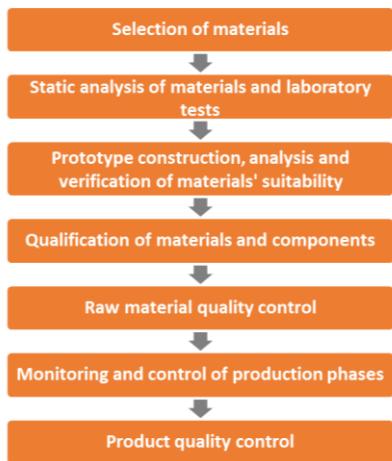
To ensure compliance with the high quality standards required by TOD'S Group, structured processes of research, selection and qualification of suppliers, raw materials and components are adopted, in order to ensure that the selected raw materials have innovative elements and high-quality levels that guarantee durability and permanent aesthetic appeal, functionality and quality.

Every consignment of supplied leather and fabric is checked, based on specific criteria, when it is delivered in order to verify compliance with TOD'S requirements. These checks are carried out in compliance with the approved company procedures and computers are used to guarantee the traceability of the entire process.

After the raw material controls, the production process begins, involving, at specific key stages, the identification of control checkpoints.

At the end of the production process, quality controls are carried out on the product, ensuring that every product has reached the standards and requirements defined at Group level. In the case of production carried out by external workshops, quality controls are directly carried out by Quality Inspectors at the external production units, as well as at the Group Logistics Centre.

Main stages of quality control



Chemical safety of products

The quality of products also depends on their **chemical safety**, ensuring above all customers' well-being. TOD'S Group monitors substances deemed dangerous for the end user and harmful to the environment, putting environmental sustainability at the heart of its production processes.

The RSLs (Restricted Substances Lists), which fully comply with the Guidelines of the National Chamber of Italian Fashion, are based on the one hand on the main relevant standards specific to each division and product category, and on the other, on the medium and long-term goal of gradually eliminating certain chemicals, even though they are permitted by law.

The RSLs, drawn up for the leather/fabrics and footwear, plastic materials and accessories and clothing leather/fabrics product categories were prepared based on the following criteria:

1. Compliance with the main international regulations:

- European Union regulation no. 1907 of 2006, called REACH, concerning the registration, evaluation and restriction of chemical substances;
- Chinese national standards (GB standards), specific to each raw material (leather, textiles, accessories);
- Korean Safety Quality Mark Act (KC mark);
- US Consumer Product Safety Improvement Act (CPSIA) of 2008, which establishes limits with respect to the levels of hazardous materials imported or produced in the United States, especially in relation to their recipients;
- principles of the "Proposition 65 Settlement" in California.

2. Gradual elimination of certain chemicals from the production process, even though they are permitted by law. In this respect, many reference parameters, expressly referred to by TOD'S RSLs, have significantly lower values than those permitted by current regulations.

It should be noted that, in 2019, TOD'S issued a new release of the RSLs, with the aim of simplifying the process of verifying and integrating regulatory changes regarding the use of chemical substances.

Chemical checks

TOD'S Group carries out random tests on supplied materials in order to verify their compliance with its RSLs.

Further specific checks on finished products

During the product quality control stages, TOD'S pays particular attention to compliance, focusing on the requirements of current international regulations considered the most restrictive and exacting. Even on its own products, TOD'S Group carries out specific tests based on the main global safety and quality standards: QB/Standard, CPSIA (Consumer Product Safety Improvement

Act).

Finally, the Group follows structured and codified processes for the management and transmission of correct information to the consumer with regard to product safety in compliance with current regulations in the relevant markets.

Protection and authenticity of products

TOD'S Group, which firmly believes that it is essential for its brands' products to always have unique characteristics and the highest quality, has always devoted abundant resources and energy to the fight against the rampant phenomenon of counterfeiting.

Over the years, alongside activities aimed at combating counterfeits in the offline world, it has also implemented measures to counter the phenomenon in the online world. In addition to constant dialogue with law enforcement agencies and support of their work to seize counterfeit products, with regard to **offline anti-counterfeiting** initiatives, a widespread customs monitoring system has been introduced with a focus on the main European countries and on those where counterfeiting is notoriously prevalent (such as China and Turkey), as well as a targeted programme in China to identify factories that produce counterfeit products and the definition of subsequent, necessary corrective actions.

These law enforcement initiatives are supported by preventive actions, such as training for customs officers and law enforcement agents, as well as a worldwide trademark surveillance service, which allows TOD'S Group to intercept any counterfeit goods in order to take action to prevent the registration of those brands deemed to violate their rights. Since 2012, TOD'S Group, conscious of both the potential and the dangers of the internet, which enables the communication, in a short time and to an indefinite number of users, of the sale of counterfeit products, has designed and operated an **online anti-counterfeiting** program, which has been improved year after year in response to new data. In this regard, to protect users, TOD'S guarantees:

- a web watching service that enables the interception and subsequent take-down of web pages that publish activities that infringe trademark rights, or the launch of administrative reassignment procedures in the most difficult cases;
- a monitoring service focused on the main online auction platforms, with a particular emphasis on the Asian markets, including emerging markets, aimed at removing advertisements for the sale of counterfeit versions of products by the Group's brands;
- a service to constantly monitor the main social media channels (Facebook, Instagram, etc.), including those with purchase features (e.g. WeChat), with the consequent removal of posts, advertisements and profiles that infringe trademark rights.

Anti-counterfeiting results

In 2019, the Group remained committed to its anti-counterfeiting activities, which led to the achievement of significant results.

	2019	2018
Abusive sites removed	≈ 1,000	≈ 1,800
Abusive auctions removed	> 16,800	> 36,500
Social media pages removed	≈ 13,600	≈ 7,200
Domain names recovered	7	5
Finished goods seized by law enforcement	≈ 9,200	> 8,100
Finished goods seized during raids in China	> 1,400	≈ 2,100

With regard to goods seized, there was an increase of around 13% in the number of cases in 2019 compared to the previous year. In the case of the raids in China, the over 30% reduction is consistent with a declining trend due to over ten years of strict law enforcement activity in the country, which has continually produced significant results over the past few years.

The significant growth in the number of social media pages removed compared to last year is consistent, on the one hand, with the rise of online counterfeiting and, on the other, with the growing visibility of the Group's brands and the appeal of its products.

The steady decline in the number of illegal auctions removed in 2019, as well as the number of illegal websites detected and removed, has been the positive result of a long-standing process of constant law enforcement that has made it possible to curb the phenomenon over the years, discouraging counterfeiters and pirates.

The Group is also considering implementing further actions in 2020, including the diversification of the anti-counterfeiting programme in China by launching targeted actions against serial counterfeiters, in order to further counter the phenomenon's evolution, as well as the expansion of anti-counterfeiting monitoring activities in emerging African markets and the implementation of further UDRP (Uniform Domain-Name Dispute-Resolution Policy) procedures in order to administratively recover, among the domain names that include the Group's trademarks, those that cannot be blocked by ordinary means.

TOD'S Group's commitment in this field is not limited to the activities described above, but takes the form of membership of associations, as well as participation in specific round tables focused on the fight against counterfeiting, which are often organised in synergy with other luxury sector companies. One of the organisations that the Group is a member of is **INDICAM** (Centromarca institute for the fight against counterfeiting), which has always been on the front line in the battle against counterfeit products, with the aim of promoting, from an intersectoral and interprofessional perspective, an anti-counterfeiting culture.

In addition to the fight against counterfeiting, the Group is committed to preserving the quality and uniqueness of its products by guaranteeing greater traceability along the entire production chain: with this goal, the Group has also launched various project initiatives in recent years to incorporate the use of **RFID** (Radio Frequency Identification) **labels** on orders for samples of leather goods and footwear by the TOD'S, ROGER VIVIER and HOGAN brands.

The central importance of the customer

Customers are among TOD'S Group's main stakeholders: understanding their expectations – from the most obvious to the unexpressed –, customer satisfaction and the desire to build lasting and trusting relationships with customers are essential objectives for the Group. The central importance of customers, which underpins the company's approach, is evident in its most concrete form when the Group directly interfaces with them. Consequently, TOD'S Group carefully conducts all the stages of interaction with its customers, from the selling ceremony in boutiques to the shopping experience on the e-commerce platform, from digital communication to after-sales services, product customisation services and the creation of content on social media. The Group is committed to ensuring that all the experiences created for its customers are unique and high-quality moments that perfectly represent the values on which the Group has built its identity.

In order to maximise the benefits of interaction between the Group and its customers, it is essential to have an effective and well-planned contact strategy, based on careful analysis aimed at identifying prevalent purchasing behaviour and placing customers in a specific stage of the life cycle of the relationship. With this in mind, in 2015, the Group launched an important project, the CRM Project, which aims to introduce and develop special tools and processes for the various identified customer categories and which has involved the collaboration of several departments that have pooled their knowledge and experience, under the guidance of the Corporate CRM Division. This project has enabled the collection of personal and contact information and the comparison of attitude data with sales information, leading the Group to develop new personalised contact opportunities with the customers of each of its brands, responding more effectively to their tastes and personal habits. The Group has therefore adopted an authentic contact strategy involving initiatives aimed at its best customers, who will be considered true ambassadors of the reference brand. These initiatives include customer delight activities designed to offer non-purchasable experiences and services that aim to meet customers' needs through unique, personal experiences, such as the ability to purchase items in an exclusive preview, private appointments, including outside opening hours, personalisation services and dedicated customer service.

In 2019, the main focus areas for the development of the contact strategy concerned:

- a) **Prospects-into-Customers:** increase of the conversion rate of prospects to actual customers starting from improved visitor tracking, with particular attention to communication in the contact following the first "meeting" with the brand, with a particular focus on discovery of brands, their value and identity;
- b) **Store-driven Campaigning:** implementation of a tool to promote a high level of engagement on the part of stores in contacting customers on the basis of specific business opportunities and needs, while allowing the monitoring of customer return;

c) **Tourist - into - Local:** contact activities aimed at encouraging the return of tourist customers to boutiques once they have returned to their respective countries (with a specific focus on Asian countries and the USA).

The Group has also organised important internal CRM training for sales assistants, which has involved all of its brands at a global level. This training programme covered the following topics: customer recognition, the introduction of CRM during the selling ceremony and the collection of customer data, the use of systems and information, and self-efficacy when interacting with customers.

In order to facilitate widespread implementation of the new strategy, the Group has also provided various software to spread and preserve the culture of the central importance of the customer within the company. To this end, special clienteling software has been implemented at each individual point of sale, managed by the CRM Specialist. Other campaign management, reporting and analytics tools are centrally implemented and customised for brands, regions, stores and retail, marketing and digital offices. In this last case, it is important to emphasise the role of the Group's CRM as a "glue" between the online and offline, digital and retail channels, with a focus on omnichannel increasingly aimed at the needs of the end customer. Currently available CRM data and tools allow the creation of webmails customised according to many variables that can be selected for different needs and to have updated and timely information on the progress of the various campaigns (open rates, unsubscribe, etc.).

The brands and selling ceremony: customer-oriented differentiation

The Group's careful attention to the purchasing experience is evidenced by the fact that the different brands offer different selling ceremonies that reflect their core values, positioning and peculiar characteristics.

TOD'S views its selling ceremony as a distinctive art that conveys the values of the brand in the different stages of the relationship with the customer, a unique approach that aims to recognise the specific characteristics of individual customers and their desires. In defining the characteristics of the new selling ceremony, the role of sales staff, recognised as brand ambassadors, was enhanced: to complete the experience in perfect **TOD'S** style, the "Ambassadors" can offer interesting ideas to customers, such as suggestions to share their knowledge of Italian lifestyle, of which the brand is a proud representative.

In **ROGER VIVIER** boutiques, the creation of contact with the customer takes place even before the actual sales phase. Through an empathetic approach and dialogue, elements that characterise a visit to the boutiques, the customer is accompanied on a journey to discover the brand. After initial contact with rare, exclusive luxury, the other distinctive elements of **ROGER VIVIER**'s womenswear are gradually brought to light, allowing the customer to progressively identify with it: womenswear with a highly feminine, impertinent and extravagant attitude that boasts the timeless elegance of Parisian inspiration.

For **HOGAN**, the selling ceremony is based around taking care of customers. It is not simply a guideline, but a way to accompany them in their shopping experience, receiving them in the stores as a welcome guest and making them feel at home. Sales staff are therefore required to convey their passion and engagement with the brand's values, combining professionalism and competence and creating an empathic relationship by adapting to individual customers.

For the **FAY** brand, although sales are mainly focused on the wholesale channel, in selected stores the customer is accompanied by a dynamic shopping experience that highlights the peculiar characteristics of the brand's style, such as versatility and excellence.

Since 2014, **TOD'S** Group has developed targeted training modules to align the skills and aptitude of its sales staff with the spirit and exclusivity of its brands.

The corporate app is available in six languages for all the brands and contains the history of the company and of the individual brands, allowing you to travel virtually within the headquarters and production units. All new employees and sales assistants in the most distant regions can thus

learn about and appreciate the quality expressed throughout the production chain and inform themselves about the selection and processing of the hides.

We also constantly organise Italian Orientation weeks dedicated to the various brands, with the aim of accompanying new directors and a selection of the rest of the store teams on a visit to the headquarters, the production units and selected stores between Rome and Milan. The programme also includes visits to monuments and insights into Italian culture, enabling the retail team to more effectively share values related to quality, tradition and Made in Italy with its customers.

The mission of the TOD'S brand's training activities, on a global level, is to be **customer-centric**, always putting the customer first. Consequently, in order to improve the professionalism of the sales staff, in 2019 the Group focused its attention on the following areas:

- Knowledge (knowing): with the aim of improving the sales approach by providing more details on the inspiration of products and collections, using an increasingly evocative and emotional language. The following training modules were provided in this area: "Menswear and womenswear collection mood", "Our leather culture" and "The culture of men's footwear".
- Professionalism (know-how): with the aim of emphasising the natural elegance that distinguishes TOD'S style, which can be identified in the brand's values and is recognisable throughout the world. The selling ceremony suggests several ideas to involve the customer by offering a unique approach in order to further develop brand loyalty. The following training modules were provided in this area: "The art of selling – TOD'S loves Italia" and "Selling to generations" to effectively approach different generations. In the course of the year, the first "Omnichannel", "Buy on line & return in store" and "Endless aisle" modules were introduced in order to integrate new opportunities in line with the desired style.
- Brand identity (knowing how to express the brand's values): with the aim of introducing the Group's characteristics and brand identity to enhance the sales approach, promoting the Italian lifestyle and the Made in Italy philosophy with determination and passion.

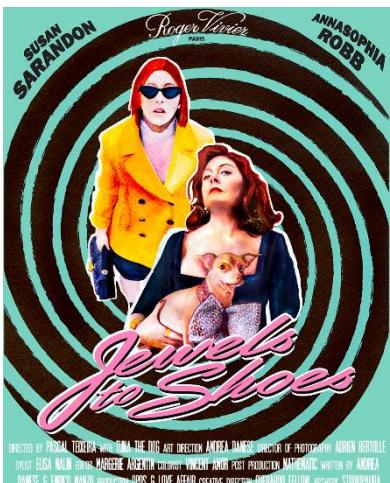
My Ride

In May 2019, the "My Ride" project was launched on the TOD'S website (<https://www.tods.com/it-it/stories/follow-my-ride.html>), a series of short films shot in New York, designed to explore the idea of movement through the iconic Gommino, the star of the short films. This movement is represented through the lens of health and wellness guru Taryn Toomey, restaurateur Louis Levy, artist Richard Phillips, actor Tong Dawei and model Katrin Thormann. Each character expresses their passion through movement. The Gommino thus becomes a symbol of freedom, letting yourself go and embracing your passion.



Katrin Thormann, West Village – New York (US)

"Jewels to Shoes"



Inspired by the cult film "I Know Her Well" by director Antonio Pietrangeli (1965), Creative Director Gherardo Felloni recreated the story of a young aspiring actress who pursues her dreams of glory, creating a very vibrant context for the Autumn/Winter 2019 collection.

The story unfolds in the heart of New York City's affluent neighbourhoods, in a Baroque mansion built in the early 20th century by an eclectic gentleman with exquisite taste in furnishings: antique wooden balustrades, stained glass windows and marble sculptures from all over the world. Beyond the perfectly manicured gardens and heavy wooden

door, Oscar-winning actress Susan Sarandon welcomes the students to her lesson. Her fun, over-the-top character reveals a strong penchant for theatricality and an obsession with shoes. With her faithful little dog Tuna, she waits for the young students, anxious to teach them the intricate art of acting.

AnnaSophia Robb, a young and talented actress, is ready to learn from the absolute best. Someone has told her that the teacher has a passion for fashion, so she arrives at the house appropriately dressed: *Très Vivier* ankle boots with a shiny buckle and matching *Beau Vivier* bag, a classic model that the hostess will be sure to appreciate. Arriving in the lavish hall she joins the other young actors, a curious mix of characters as eclectic as the shoes on their feet. Their accessories include *Viv' Utility* boots, *Viv' Run* snow boots and sneakers, *Belty Viv'* bags and *Broche Vivier* bracelets, all with shiny buckles: the perfect combination of sophistication and urban style for those who want to make an impression.

"Working with these two extraordinary women was an incredible experience for me. Not forgetting Tuna, the cutest little dog in the world, who was an essential part of this fantastic project! My passion for auteur cinema encouraged me to draw inspiration from another of my obsessions, which I knew well, perhaps the most touching work by Antonio Pietrangeli, an established giant of cinema. Roger Vivier has always been a fashion house with strong ties to filmmaking and there is no better way to keep this extraordinary legacy alive than a production like this." – **Gherardo Felloni**

The following training modules were provided in this area: "Italian orientation", "Corporate app", "Digital expert" and "Welcome breakfast", a welcome module designed to engage new employees by immersing them in a complete overview of the company and its brands.

In order to promote sharing of the values that distinguish the brand and to optimise the training and learning process for retail and corporate personnel, the Group has developed online tools/platforms:

1. **TOD'S Retail Sharepoint**: a constantly updated platform containing all the information related to the world of retail, operations and training.
2. **Corporate app**: a reference point for the training world, this app is focused on the company's history and values and on the brands' characteristics. It explores issues relating to iconic products with the aim of enriching the brand's storytelling for customers.
3. **Retail app**: a reference point for the seasonal training modules containing presentations and videos. This app allows employees to keep up to date with production phases, fashion shows and special projects.
4. **Intranet**: an archive of updated documentation for the provided training modules, the collections of the previous seasons and the company policies and procedures ("Store Handbook") regarding retail operations.

2020 will see the launch of the "Digital Knowledge" project, a new digital platform to make the training service interactive, participatory, mobile and accessible from any device at any time. The platform, which is available to everyone, can host any type of training content for all the Group's brands, as well as all company services.

The additional goal of training is, on the one hand, to make sales staff aware of the **Group's values**, thus guaranteeing their adequate transmission to customers, and on the other hand, to provide the **social skills** necessary to excel in the international context in which the Group operates. Learning to adapt communication style based on the cultural differences in the behaviour, traditions and expectations of global customers is fundamental in order to remain competitive. As evidence of its commitment in this regard, it should be noted that in 2019 the Group provided over 28,000 hours of retail training (up by around 38% compared to around 20,280 hours in 2018).

With a view to continuous improvement of the experience offered to customers, since 2014, the Group has carried out assessments of the level of assistance offered in boutiques through **Mystery Shopping** surveys. This initiative enables, through mystery shoppers ("professional customers" who make incognito purchases), the observation and analysis of the strengths and areas of improvement of sales staff. The activity ends with the completion of a questionnaire by the mystery shoppers regarding the purchasing experience and the level of assistance that they received. Based on the results of the questionnaires, the Group identifies targeted training plans for sales staff, aimed at enhancing skills through training programmes that are as customised as possible to individual needs. Over 4,000 visits have been carried out during the last five years; the results of the investigations have also allowed the Group to plan the selling ceremony in the

best possible way, differentiating it for the different brands in order to better enhance the distinctive characteristics of each brand.

The Group, starting in 2019, has increasingly shifted its emphasis to the concept of Customer Experience Evaluation, moving from the more regulatory approach of monitoring compliance with processes/procedures typical of the traditional mystery shopper to a customer-centric approach designed to emphasise customer engagement with the brand/store by measuring their overall experience and level of engagement, expressed by a new satisfaction index: the Ambassador & Advocate index. The first test of this new method was completed in 2019 on a limited number of stores, before being globally extended, starting in 2020, to some of the Group's brands.

In 2019, an upgraded selling ceremony with an adaptive selling focus was launched in order to gear it towards customer engagement, ensuring dynamic interactions with in-store customers and leveraging the staff's initiative.

To this end, starting in the second half of 2019, a new, highly experiential training project was launched in Europe and the USA aimed at improving the ability to interpret customer behaviour and attitudes, as well as customer feedback, with a view to enabling more streamlined and flexible use and application of the selling ceremony.

The Group's attention to customer needs is also reflected in its focus on **after-sales services** and **return management policies**. For some years, customers have had the opportunity to exchange goods at any single-brand boutique, regardless of where the purchase was made. Moreover, in the case of returns due to product defects, company policies have been defined that offer, following an objective assessment of the defect, the ability to make a return without the need to present a receipt, or, if the customer does not live near a single-brand boutique, the goods can be collected free of charge from the customer and they can make a purchase on the Group's website. Finally, to further improve the level of service and to minimise waiting times for customers who have made a return, a company policy has been defined that requires customers to be contacted if the estimated **repair time** is longer than two working weeks. Customers can therefore choose whether to wait for the repair of the product or, alternatively, to receive a voucher to purchase a new product.

TOD'S NO_CODE

There is a movement that is speeding towards the future: it is an agile, evolving, hybrid and fluid universe, which started in recent years in California, then arrived in Scandinavia and is now spreading around the world. It is a vanguard led by designers, thinkers and all those capable of introducing a new vision to their profession.

To accompany this movement of thought, in 2018 TOD'S created **No _Code: an innovation workshop dedicated to experimenters and to anyone who feels part of this current, which is**

rewriting the rules. No_Code embraces maximum lightness and elasticity, ranging without codes between seasons and combining the luxury of technology with high-quality Made in Italy production, as revealed during the 2018 presentation evening held in the Riva Calzoni mechanical workshops in Milan. The evening explained the philosophy of TOD'S No_Code and of its product, including through speeches by visionaries whose experiences correspond to the No_Code approach.

No_Code is a new product philosophy arising from the union between a classic shoe made according to the finest Italian tradition and the world of sneakers, and therefore between top-quality craftsmanship and technological innovation. A third way in which TOD'S is revolutionising the way we move around the world.

TOD'S entrusted the No-Code project to Korean designer Yong Bae Seok, the first designer in the new footwear category, who was tasked to reinterpret the philosophy of No_Code products, which, in the models presented to date, have a reticulated foam rubber sole, a special blend that stabilizes your stride. They also features light leather and neoprene uppers or uppers intersected by special meshes, signed with the iconic lacing.

"Tod's No_Code" continues its research journey, investigating the contemporary world's responses to the increasingly rapid social changes that are currently taking place.

In this regard, in 2019, during the Salone del Mobile in Milan, TOD'S presented the "No_Code Shelter: Stories of Contemporary Life" project, created in collaboration with internationally renowned architecture and design studio Andrea Caputo.

This made it possible to combine the philosophy of "Tod's No_Code" with an installation that aimed to draw a map of contemporary life, using the shelter, the refuge as a place of reflection and testimony.

Exploring the lives of people of different backgrounds and ages in relation to a society that is rapidly changing its rules.



The J.P. Collection TOD'S FACTORY



The J.P. Collection **TOD'S Sartorial** is both a tribute to TOD'S history and a reinterpretation of its past designs with a contemporary twist: the J.P. monogram. TOD'S is an exclusive collection of men's shoes that can be customised with a choice of different leather and with the application of your own monogram.

The J.P. TOD'S Sartorial collection is currently available in a selection of TOD'S boutiques. The shopping experience is focused on refinement and attention to detail, embodied by environments, furnishing objects, works of art and dedicated consultants, guiding customers in the

customisation and purchase of J.P. TOD'S products.

The sophisticated selection of fine leathers in the J.P. TOD'S Sartorial Collection and its colour range is collected in a series of volumes that allow you to directly touch these high-quality, elegant leathers.

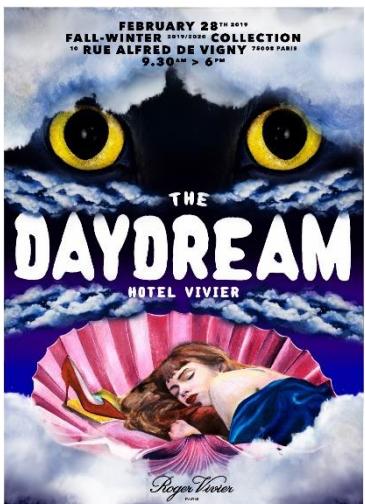
The first volume is dedicated to crinkled leathers, an exclusive TOD'S creation that is the result of a skilful process involving several stages of hand buffing.

The second volume is dedicated to the material named English, traditional English split leather, available in five colour versions.

Your initials can be stamped on the shoes made with exclusive crinkled leather to make the J.P. TOD'S Sartorial Collection product even more personal.

With the support of two books dedicated to the process, customers will be able to discover the customisation variants: from one to four letters – with or without punctuation – stamped or painted in silver, which can be affixed to the shoes' upper, counter or insole and to the bag's handles and binding.

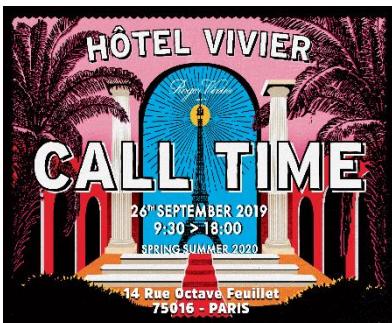
Daydream Vivier - A/W 2019 Presentation to the Press



Enter the world of **Daydream Vivier**, where women's dreams come true thanks to Creative Director Gherardo Felloni's imagination. Daydream Vivier takes you on a daring journey through women's craziest desires, passions and dreams. There are seven rooms in this imaginary house, inhabited by different characters. Each room represents seven wonderful dreams, which can sometimes turn into magnificent nightmares: a haunted forest, a house of mirrors, a room full of unicorns, Madame Freud's rooms, a cinema room screening *Belle de Jour* and a space with a country group. The rooms are inhabited by eclectic characters, such as a dream interpreter with her patient or a woman lost in the woods. Sometimes they are hidden from visitors, who advance as if in a daydream looking for the path to discover the collection.

"Dreams are a metaphor for reality. For the launch of the Autumn/Winter 19-20 collection, I was inspired by what women may see in their dreams." – Gherardo Felloni.

Call Time Vivier – S/S 2020 Presentation to the Press



For Spring/Summer 2020, Creative Director Gherardo Felloni invited guests to discover the mysteries behind the scenes at the **Hotel Vivier Call Time**.

Presented as an imaginary hotel where fantasy is intertwined with reality, the Hotel Vivier Call Time hosted several women, who prepared themselves in several dressing rooms for the most important performance of their lives. There were showgirls rehearsing for a cabaret show and young dancers perfecting choreography together with their instructor before going on stage. In another dressing room there was a group of cheerleaders busy putting on their make-up, silently challenging each other: the scene was inspired by the performance of the Glee cast, accompanied by Aretha Franklin's "I Say A Little Prayer". The various characters included a number of Miss Universe candidates, who competed for the title of beauty queen with their crowns. There was also a magical room where top model Anna Cleveland had a designer help her before she stepped onto the catwalk. The scene represented the *maison's* link with fashion, and in particular with *haute couture*. The two characters were Felloni's tribute to French fashion: on

the one hand, a top model, an emblem of Parisian glamour; on the other, a designer inspired by women such as Elsa Schiaparelli, who left her country to move to Paris, becoming one of the most influential figures in the history of fashion.

The fruit of a rather punchy sense of humour, Hotel Vivier Call Time brought together a cast of eclectic characters who offered spectators a surprise ending, projecting them into an ironic parade with a metaphorical significance.

"My sources of inspiration have always included theatre, musicals and cabaret. The idea of performance is a constant for me and in this case I wanted to show the guests of the Hotel Vivier that part of the show that usually remains hidden, the so-called 'behind the scenes'". - **Gherardo Felloni**

Digital's increasingly central role in the TOD'S brand experience

A selling ceremony that lives up to the Group's values and customer expectations is just one of the ways in which TOD'S focuses on its customers: the Group's primary objective is, in fact, to accompany the customer throughout their journey, offering an increasingly evolved and rewarding brand experience. Consequently, the Group is working to achieve ever greater integration of digital in its strategies, reducing physical distances in its interaction with customers, allowing them to feel closer and closer, if not at the centre of the brand.

Customisation: the offer of unique products

The utmost expression of the customer's central importance in the Group's strategies is represented by the ability to offer customers the possibility to design the products they wear: feeling part of the creation process, the customers enjoy a unique experience, leading them to identify themselves with the brand. With this in mind, TOD'S Group offers its customers the possibility to customise certain products, increasing their intrinsic value and making the shopping experience even more special.

MyGommino

The iconic Gommino moccasin is one of the stars of the TOD'S brand customisation service. Available in TOD'S boutiques and online, the "My Gommino" programme allows customers to create their own versions from millions of available combinations. In addition to the material and colour, they can also choose details such as stitching, the strap or toecap and can even customise shoes by changing the colour of the Gomminos or adding their own initials. The product is handmade with care and passion by TOD'S artisans and can be picked up at any of the brand's single-brand stores or sent directly to the customer's home.

HOGAN By You

HOGAN By You is a made-to-order service that allows you to customise iconic models and new projects by choosing their distinctive elements and adding exclusive details such as symbols, numbers and letters. From season to season, new talents are involved and invited to express their personality with HOGAN By You. The customisation service is available on the hogan.com website and in all the brand's single-brand boutiques thanks to a dedicated web app.

The digital channel, which is being constantly renewed and is able to perfectly combine the brands' storytelling with the presentation of products from the latest collections, is currently

active in 34 countries (1 of which was activated in 2019), with a main focus on the North American, European and Chinese markets. The Group has also planned the launch of important new e-commerce websites in Asia for the 2020-2021 two-year period.

Moreover, the Group's integration of the digital channel in its distribution strategies will accelerate the implementation of the omnichannel project, aimed at creating a more fluid customer experience between the physical and digital channels, for example by offering customers the possibility to view online products in the nearest boutique and to reserve products at the most convenient store, or to buy online directly from the shop.

At the same time, the Group is paying increasing attention to the remote customer experience, as well as to the careful provision of impeccable assistance through internally managed customer service.

HOGAN.COM

The Hogan.com site has paved the way towards the Group's new digital approach, aimed at improving customer experience, according to the new **Omnichannel** criteria.

Firstly, the brand has worked on implementing a mobile-first strategy to facilitate navigation from smartphones and tablets, which accounts for over 73% of traffic.

The most experiential part of the site has been strategically integrated with the e-shop, through a new innovative look and feel, in line with the brand's characteristics and philosophy.

The Hogan.com site has become a flexible, versatile container that can host dynamic and storytelling content to increase awareness about the brand and its iconic products.

The marketing and merchandising strategies have also turned their attention to the digital channel, launching the "online limited edition" project, special models exclusively available on hogan.com.

At the same time, the purchasing process has been simplified, guiding and facilitating the user experience through an intuitive interface to improve conversion rates and the acquisition of new registered users.

The launch of the new site has led to the implementation of the first Onmichannel services:

- **Check availability in store:** offers online users the ability to view the availability of products in the nearest boutiques.
- **Endless Aisle:** offers customers the option to purchase online from the boutique if the desired product is not physically available in store.
- **Return in store:** allows customers to buy online and to make returns in the boutique.

TODS.COM

As part of the digital experience, the e-commerce platform has been enhanced with important features to support the growing business.

- New warehouses have been integrated to allow better stock management and delivery to end customers.
- Sales have been launched through a website entirely dedicated to the Australian market.
- There has been continued investment in omnichannel services: checking item availability in boutiques using the website, purchasing in boutiques using the e-commerce channel, and in-store returns and exchanges including for purchases made online.
- Packaging of e-commerce orders has been further improved to offer end customers an even better experience.

These improvements have contributed to a double digit increase in online channel performance.

4. Ethics

Ethics is the value underlying all TOD's Group business operations and is understood as the set of standards followed in the pursuit of company objectives. Ethical principles are of fundamental importance for the Group and its stakeholders and represent a vital element in day-to-day internal and external relations.

These principles enable the Group to operate transparently and safeguard and protect all people with whom it interacts and the environment in which it operates.

4.1 Human resources

TOD'S Group is well aware of the importance of its employees and recognises that the most influential factor in the success of any company is the people whose hard work and commitment contributes to the development of the Group and the creation of value in the medium and long term.

TOD'S has developed a working environment in which the well-being and professional development of its employees play a vital role in building a relationship founded on trust and mutual respect, a bond that goes beyond the standard professional relationship.

For this reason, TOD'S works hard to provide a stimulating, professional, meritocratic, healthy and safe working environment that allows employees to freely express their talent and feel valued and appreciated.

Information on employees and other workers

As of 31 December 2019, **TOD'S Group employed 4,815 people**, a slight increase (+2.3%) on the previous financial year. The percentage of **employees based in Italy** stood at 46.5%, confirming the Group's strong bond with Italy.

TOD'S Group staff divided by region

region	12.31.19				12.31.18			
	Men	Women	Total	Percentage	Men	Women	Total	Percentage
Italy	1,001	1,236	2,237	46.5	980	1,216	2,196	46.7
Europe	264	718	982	20.4	286	731	1,017	21.6
Americas	121	116	237	4.9	112	109	221	4.7
Greater China	222	693	915	19.0	228	633	861	18.3
Rest of the World	92	352	444	9.2	88	322	410	8.7
Total	1,700	3,115	4,815	100.0	1,694	3,011	4,705	100.0

Given the nature of the Group's activities, the percentage of employees working in retail activities stood at around 48% of the total at the end of 2019.

Women represent 65% of the total workforce, generally outnumbering men in almost all professional categories.

The professional category of "**white-collar workers**" has the largest number of staff members (3,158), followed by blue-collar workers (1,271). These proportions are to be expected given the Group's sector of operation.

The age range into which most employees fall is the **30-50** bracket, which encompasses **64%** of the total workforce. This is followed by the **<30** bracket (around 21%), in line with TOD'S focus on investing in young talent.

Attracting talent

Attracting talented people is an objective of fundamental importance for TOD'S Group, given that this is the only way to ensure that the standard of the company's day-to-day activities is maintained. For this reason, TOD'S takes great care in recruiting and selecting talent, adopting consolidated company processes designed to clearly define every stage of the recruitment process.

Over the course of 2019, **1,572** new recruits **joined the Group**, roughly 49% of whom were under the age of 30. A total of 1,462 employees left the Group, meanwhile, equating to **outbound turnover** of 30.4% (a slight decrease on the 31.2% registered in 2018). This figure rises to 42% considering solely staff members under the age of 30 (down sharply from 51% in 2018). In terms of outgoing staff members, there were **799 voluntary resignations** in 2019, equating to a resignation rate of **17%**. The size of these percentages is largely attributable to retail staff joining and leaving the company, which is an inevitable part of company life given the Group's sector of operations.

Recruitment and departures of TOD'S Group staff – 2019

Gender	Incoming employees 2019				Outgoing employees 2019			
	<30 years	30-50 years	>50 years	Total	<30 years	30-50 years	>50 years	Total
Men	236	205	13	454	211	216	23	450
Women	533	540	45	1,118	408	545	59	1,012
Total	769	745	58	1,572	619	761	82	1,462
%	48.9	47.4	3.7	100	42.3	52.1	5.6	100

Moreover, in 2019, **the Group hired** 677 employees on **fixed-term contracts** (up 20% compared to 2018), with 50.6% of employees under the age of 30 and around 47% of employees between the age of 30 and 50.

Attracting young talent: working with schools and universities

Every year, TOD'S Group's Human Resources department plans its participation in career days and job fairs in the main Italian and international universities in order to attract and engage the best talents from academic institutions. More specifically, the HR People Excellence department

maintains strategic relationships and partnerships with the academic world and with the main social recruiting platforms, focusing on geographic areas and corporate departments crucial for business development, anticipating their needs in terms of necessary skills.

During 2019, the Group met numerous graduate and undergraduate students at specially organised events at a number of prestigious Italian and international universities including Bocconi University, Marche Polytechnic University, the University of Bologna, the University of Camerino, the Università Cattolica and LUISS. Overall, these events helped to spread **employer branding** and to present the Group to a large audience of potential candidates, arranging, with a smaller group of candidates, group or individual interviews that led to curricular or extra-curricular internships.

In 2019, the Group maintained and further developed a number of important **agreements with academic institutions**. In Italy, the multi-year partnership with Bocconi University continued. This aims to support research, educational and institutional activities in the Fashion and Luxury Management sector and features a number of opportunities for dialogue. This agreement, as well as seeing TOD'S participate in all the events organised by the university, both at its Milan site and abroad, allows the Group to plan special visits and meetings at the company offices for a group of selected students and to involve them in employer branding activities, project work or exchange and mutual study sessions.

In this context, TOD'S Group participated in the Bocconi & Jobs Career Day both in Italy and in Asia, at some of the most important local universities such as Fudan University, allowing several students to undertake an internship experience in the offices of the Group's Chinese branch.

In line with last year, TOD'S organised "In company training" days in order to introduce a few students to the Group's brands and to give them an insight into TOD'S through meetings with company managers, illustrating company opportunities and internal career development. This programme was organised both in the most representative Italian headquarters and in specific overseas offices in some of the most important markets, such as Hong Kong and New York. In this context, meetings with students were held in 2019, with a particular focus on the TOD'S brand and on relevant topical issues, such as "omnichannel".

In Italy, in 2019, a collaboration was established with the Università Cattolica in Milan, through the participation of some of the Group's managers in the Technical Committee created in the Communication degree courses. In addition, TOD'S has provided support for a number of degree and Master's courses with various company lectures on current issues specific to the luxury sector.

The collaboration with the University of Camerino (UNICAM) continued through the Group's participation in the Supporters' Committee, a technical body that supports project activities and fosters the connection between the academic world and businesses, directing and anticipating company needs, above all in the digital field. In 2019, the educational activities analysed

included the development of a Master's degree focused on the use of innovative and sustainable materials.

The Group also continues to be one of the major sponsors of a prestigious training institution in Le Marche, the Adriano Olivetti Institute in Ancona (ISTAO). Among the courses promoted by the body, TOD'S participates, in particular, in executive courses such as "Living Operation: machine learning and people feeling", which aims to provide tools to tackle change based on an industry 4.0 approach, putting people and their potential at the centre of the organisation with a focus on the Lean Production and World Class Manufacturing organisational models. In 2019, TOD'S also contributed to the new "Data Science" Master's degree through lectures and a case history.

The Group supports important collaborations not only in the area of business management, but also in the field of fashion, design and luxury. A notable example is the MAFED (Master in Fashion Experience and Design Management), SDA Bocconi's flagship Master's degree.

This collaboration allows the Group to come into contact with students from every continent. With some of these students, who are carefully selected, a new work project is carried out every year involving a final presentation to the company Top Management. In 2019, for example, the focus was on analysing the positioning of one of the Group's brands in the Chinese market with respect to the target group, identified as Millennials.

With regard to the most creative expertise sought by the Group, in 2019 an important installation was created in collaboration with the Andrea Caputo studio, "TOD'S NO-CODE Shelter". During the *Fuorisalone* in Milan, an ideal village was rebuilt with the aim of highlighting contemporary trends, harmonising technology and craftsmanship through the use of the "refuge" as a place of reflection.

In 2019, the "Coaching for innovation" initiative was also implemented in collaboration with the Milan Polytechnic. The project, which was divided into two stages, aimed to analyse new aspects of strategy and communication in relation to the products by the Group's Hogan brand.

2019 also saw continued active participation in the **school-work project**, which was met with mutual satisfaction from both the students and the company tutors involved. In order to consolidate this project, an internal procedure has been established over the years with the aim of facilitating collaborations with target schools in areas adjacent to the Group's local units and with students.

In this regard, in 2019, the Group joined the Marche region's "**Alternanza 4.0**" project, a training course for teachers and heads of the region's main schools, consisting of training sessions at participating companies and themed workshops in schools. The aim of this initiative is to develop high-quality, targeted school-work projects and to develop school curricula that are increasingly in line with the training needs of the main companies in the area. Through these initiatives, the Group has had the opportunity to interface with numerous young people, offering some of them the opportunity to undertake a training and internal development course: in 2019, 65 internships

were initiated in Italy at the various local units, 48 of which were extra-curricular, with a subsequent possibility of admission. Of these, 69% were subsequently hired by the company with a stable employment contract.

The Group believes that it is vitally important to help new recruits during the integration stage, particularly as a way of conveying the core values necessary to uphold the high quality standards required by TOD'S. One of the distinctive features of TOD'S identity is Made in Italy, a value that is inextricably linked to the Group's image and permeates its approach, guiding its corporate and retail activities. All employees are offered special induction programmes designed to share these values and to strengthen the staff's sense of belonging to the Group.

Promoting the Group's values among new recruits

The challenge of preserving the values of Italian spirit and Italian manufacturing in the markedly international environment in which the Group operates is a significant one. In order for these values to be equally internalised and promoted by all employees, regardless of their geographical origin, a few years ago TOD'S launched the *Italian Orientation* programme, which offers a number of new hires in the retail world an opportunity for corporate training combined with a cultural itinerary.

The programme for Italian employees lasts for three days and involves a visit to the TOD'S production sites in the Marche region and the corporate offices in Milan. For employees of the Group's international offices, the programme lasts for five days and, as well as a visit to the production sites and corporate offices, it begins with a visit to Rome – including a trip to the Colosseum – and ends with a visit to Villa Necchi in Milan. This initiative is offered to all store managers and the most deserving store manager assistants and sales assistants. By alternating cultural activities with opportunities for fun and relaxation, international employees thus have the chance to completely immerse themselves in the Italian culture and lifestyle, gaining first-hand experience of the values that define the TOD'S approach to its own activities and how it approaches customer relations.

The programme also represents a unique experience for Italian staff, who have the chance to interact with colleagues from all over the world, promoting mutual cultural exchange. It is an initiative that underscores the ongoing TOD'S commitment to creating an increasingly cohesive, international team.

Equal opportunities and non-discrimination

The Group bases its approach to managing staff around the principles of diversity and multiculturalism. The chance to work with people of different nationalities, with diverse cultural

and professional backgrounds, is of vital importance to an international organisation like TOD'S Group.

By promoting these principles, the Group boosts its staff's ability to interact effectively, optimising their day-to-day performance. At the same time, the Group's diversity is a precious tool to help the organisation understand and respond to the unique needs of different markets.

The Group's desire to respect these values is underscored in the **Code of Ethics**, in which the Group commits to ensuring that **diversity** and **equal opportunities** are respected at every level of the organisation, with the principles of meritocracy upheld and all forms of discrimination rejected, including those linked to age, gender, sexual orientation, race, language, nationality, political opinions, trade union affiliations and religious beliefs. As of 31 December 2019, around **65% of the entire Group workforce** was made up of **women**.

This strong female presence is seen in all regions in which the Group operates. In the most senior professional categories (executives and managers), the split between men and women is more equal, although there are slightly more women here too (57%).

The offer of **part-time** contracts also confirms the Group's commitment to equal opportunities: as of 31 December 2019, 7.3% of the Group's employees benefited from these contracts. Moreover, the Group offers its employees the chance to take **parental leave**, in accordance with laws and regulations in the various countries.

Finally, as of 31 December 2019 the Group employed 111 people belonging to **legally protected** classes (up from 108 as of 31 December 2018). The Group has also signed a number of agreements with Employment Centres in order to progressively incorporate these people into the Group's companies.

Remuneration and benefits

TOD'S Group's remuneration policies are also centred around the values of equal opportunities and equity. All policies are designed to reward the skills of each employee.

Every year, the Group companies set out meritocratic remuneration policies, with direct involvement from managers, who are asked to identify staff who deserve a pay rise. Moreover, to supplement salaries, the Group also sets out variable retribution plans (MBO – Management by Objectives) on an annual basis. These are assigned to management staff on the basis of targets achieved over the course of the year. As regards the **salaries of new recruits**, TOD'S Group offers salaries in line or above the minimums set out by law or collective bargaining agreements in the various countries in which it operates. This applies to both men and women.

Ratio between base salary of new recruits⁴ and minimum local salary⁵, by significant operational location

Significant location	2019		2018	
	Men	Women	Men	Women
Albania	1.00	1.00	1.07	1.07
Austria	1.08	1.06	1.12	1.09
Australia	1.10	1.10	1.16	1.16
Belgium	1.57	1.57	1.21	1.21
Canada	n.a.	1.50	n.a.	n.a.
China	1.21	1.21	1.24	1.24
Korea	1.15	1.15	1.27	1.27
France	1.29	1.29	1.26	1.26
Germany	1.26	1.26	1.28	1.28
Japan	1.54	1.54	1.62	1.62
Hong Kong	1.93	1.93	2.23	2.23
India	2.15	2.15	4.18	4.35
Italy	1.30	1.28	1.23	1.23
Macau	2.10	2.03	2.24	2.24
Netherlands	1.00	1.00	1.03	1.03
United Kingdom	1.17	1.17	1.29	1.29
Singapore	1.64	1.64	2.17	2.17
Spain	1.22	1.22	1.75	1.75
Switzerland	1.07	1.07	1.07	1.07
United States of America	1.80	1.91	1.75	1.73
Hungary	1.00	1.00	1.00	1.00

There are slight differences in the salaries and remuneration of male and female staff in certain professional categories (albeit an improvement on the previous year). This is inevitable given the different roles and responsibilities held by employees.

While there are some anomalies in individual regions in terms of both base salary and overall remuneration, the analysis reveals no particular disparity between men and women (neither in 2018 nor 2019).

In Italy, Europe and the Americas, the reports for both years show that women earn slightly more than men in the professional category of "white collar workers". Finally, as regards the benefits offered, the Group strives to minimise inequality and standardise its offering for all staff

⁴ "Base salary of new recruits" refers to the lowest salary paid to new recruits in the year in question.

⁵ "Local minimum wage" refers to the minimum wage permitted according to the collective agreement (where applicable) or regulations valid in the various countries in which the Group operates.

members, regardless of their contract type or area of expertise. In a limited number of cases regarding some of the Group's companies, additional benefits of a social and financial nature are only available to full-time staff. These include health insurance, life insurance and pension contributions.

Talent development

Employee training has a crucial role in the Group's present and future success. On the one hand, training is an important means of professional development and enhancement for employees. On the other, it represents a valuable way of spreading the Group's values, furthering its strategies and ensuring its workforce has the necessary skills. In addition to induction programmes offered to new recruits, TOD'S has always invested in developing the technical and professional skills of all its employees, providing training courses that are tailored as closely as possible to the specific needs of both employee and company.

In line with the company's strategy, one of the cornerstones of which is "to build an organisation full of talented people who can enthusiastically contribute to the company's growth", the company is strongly and continuously committed to training, constantly seeking to adapt to the skills required by the market and by new technologies.

In 2019, TOD'S Group delivered around 44,300 hours of training (an increase of around 30% on the total for 2018). Of this, around 63% was made up of retail training, with the other 37% consisting of corporate training.

Hours of training delivered, by employee gender and type of training (corporate and retail) 2019 - 2018

No. of Hours	2019			2018		
	Men	Women	Total	Men	Women	Total
Corporate	8,766	7,595	16,361	7,380	6,600	13,980
Retail	7,969	19,960	27,929	5,267	15,015	20,282
Total	16,735	27,555	44,290	12,647	21,615	34,262

Retail training

In the retail field, the Group has created training courses named Sales Efficacy & Self Efficacy in CRM with the aim of enhancing the effectiveness of the sales process. In particular, training is delivered via a coaching-style approach to strategic figures such as retail operation managers, store managers and assistant store managers, with the aim of supporting their management

activities and developing the resources available to them. Individual action plans are created for each employee, which include opportunities to share objectives and related feedback. The issue of multiculturalism has also been addressed in the retail context through activities focused on welcoming international customers, with the goal of improving sales staff's linguistic abilities and above all their understanding of cultural rules, thus allowing them to build a closer relationship with customers, with beneficial consequences for both sales and customer loyalty. In particular, the training programmes have developed a greater understanding of Chinese, Russian and Arabic culture.

In the area of **corporate training**, in 2019 the Group continued activities designed to align the technical and managerial skills of its staff, not only to increase productivity and efficiency, but also to improve interpersonal relationships and the corporate climate. In this regard, a corporate training calendar has been defined, the "Tod's Educational Catalogue" (TEC), consisting of various chapters with both a technical-specialist and managerial focus, designed to develop soft skills. For the latter, the significant issues are: interculturality, team management, team building, leadership, communication and assertiveness. Particular attention is given to technical training at all levels in order to align company processes with new market demands, such as the omnichannel approach to the customer, e-commerce and seasonal adjustment of collections with the release of new products in a shorter time frame than in the past.

With regard to **technical/specialist training**, in addition to the usual commitment dedicated to improving language skills at all levels, first and foremost English, great attention was paid to the introduction of the new European privacy legislation, GDPR, and its impact on the various company departments in database management.

Finally, alignment of digital skills at all levels has been and will continue to be of strategic importance, involving specific training in the company's different areas.

Several workshops have been held on a new industrial control model based on the integrated use of production cycles. Initially, they were attended by key users, followed by all those involved in the processes under review, including technical and blue-collar staff. These activities aim to share knowledge and to train staff on the practical application of the new implemented industrial control model, which has also had an impact at an organisational level, making it necessary to re-engineer processes.

In 2019, training courses were also held for staff working in the logistics sector in order to obtain specific certifications.

Furthermore, there has been continued investment in identifying and training **craftsmen** through a "Train the trainer" course. The project has fostered both the learning process of new trainees

or apprentices and constant updating of the methodologies in use, thanks to the dissemination of the quality standards of raw materials, semi-finished products and production processes.

In 2019, the Group continued the tailored process of developing specific training programmes for its stores. The main goal of this activity is to consolidate the corporate culture, working on staff's relational skills and self-efficacy.

The company has embarked on a process of strengthening the CRM skills of the various figures involved in clienteling activities both in Italy and abroad, with particular attention to their strategic roles in the retail channel as brand ambassadors, consolidating their effectiveness and awareness in the crucial stages of the selling ceremony. This approach, through monitoring of certain KPIs and the development of relationship behaviour with customers, has also made it possible to measure changes in performance and results, together with the ability to have an impact on traffic at the point of sale.

Omnichannel, a particularly relevant topic for managerial training, was the subject of a specific in-depth examination for top management in order to assess how this new approach could become a significant business opportunity. During this training activity, issues related to big data and the development of the organisation in relation to existing digital transformation tools were also considered in depth.

With regard to omnichannel, TOD'S Group is adopting cutting-edge training approaches by implementing numerous projects in recent years. This is exemplified by the BTOD's project for brand ambassadors, an initiative which, through the use of new technologies and augmented reality systems, allows participants to experience shopping from the customer's point of view. This training approach for in-store sales – in addition to ensuring every single customer a tailored experience – can also provide a valuable support for the store's productivity.

In order to monitor the ability of retail employees and to ensure constant improvement, the Group regularly assesses employee performance so as to be able to set individual targets and ensure necessary development.

In 2019, 53% of employees underwent a performance appraisal (more or less in line with 55% the previous year). In this regard, the Group has confirmed its commitment to the implementation of an integrated assessment system, which will be applied as a pilot for the Italian management and will then be extended to the entire company (excluding the workers). In addition to these formal performance appraisals, the Group strives to promote continuous dialogue between management and employees, in order to encourage an ongoing flow of information designed to facilitate constant qualitative improvement.

In relation to the performance of retail employees in particular, the Group has adopted an incentive programme, which varies for each region, with the aim of creating a fair remuneration system for store staff. Notably, the plan features two incentive tools. Sales assistants are entitled to commission, which is paid every month and is dependent on them hitting sales targets. In

addition to this, store management staff are eligible for bonuses, which are awarded on a weekly basis and are linked to performance appraisals and qualitative and quantitative indicators. In 2019, digitalisation of the evaluation process was implemented at a DOS worldwide level: the new Digital Retail Performance Appraisal application enables monitoring and annual updating of employee performance and evaluation of individual stores using criteria based, on the one hand, on quantitative performance indicators and, on the other, on periodic qualitative evaluations.

Employee well-being

TOD'S Group's success is closely linked to the happiness of its workforce and, for this reason, one of its main objectives is to ensure the **well-being of its employees**, in order to generate value in the long term. Employee well-being is not just about professional fulfilment, but also about the ability to ensure a good work-life balance that never oversteps the mark. The Parent Company TOD'S S.p.A. supports a number of initiatives in this regard. Firstly, TOD'S offers its employees a large range of services at the Group headquarters, including:

- a free nursery for employees with children between the ages of two and six. Access is reserved for the first 28 children who qualify based on a ranking system drawn up every year according to specific criteria;
- a free gym that can be accessed by employees during set hours (after 17.00), with the option of attending courses that run on a weekly schedule;
- a company restaurant serving subsidised meals, using organic and km-0 products;
- a free media library offering employees various books and DVDs.

In 2008, the Group launched its **Welfare programme** in Italy, with the aim of improving the well-being of employees and their families. In 2019, the project featured a range of initiatives providing economic support to employees, including:

- an annual gross contribution of €1,400 for employees belonging to the Footwear Industry collective bargaining agreement (CCNL)⁶;
- a contribution towards employee costs relating to the purchase of school and university books for children ranging from primary school to university age⁷;
- insurance for employees and their immediate families covering the cost of major specialist operations, dental treatment, contact lenses and glasses, diagnostic tests and laboratory analysis, specialist visits, a "maternity package" and specific prevention packages (including paediatric, cardiovascular, dermatological, osteoporosis, etc.)⁸.

⁶ For part-time employees, the €1,400 gross bonus is paid on a pro rata basis depending on the number of hours worked in the year of payment.

⁷ This contribution was not paid to employees of Del. Pav. S.r.l. and Italiantouch S.r.l.

⁸ This cover is not applicable to employees on fixed-term contracts or employees of Del. Pav. S.r.l. and Italiantouch S.r.l., who are covered by the insurance provided by the relevant collective bargaining agreement.

In order to continuously improve the well-being of employees, a goal that has always been dear to TOD'S Group, it should be noted that, starting in 2018, the Parent Company launched an assessment programme to monitor, improve and develop staff management practices in place at the Group. This programme earned TOD'S Group the prestigious "**TOP employers Italia 2020**" **certification**⁹.

The certification "*is the result of research conducted with independent methodology and objective data, which recognised TOD'S outstanding achievements in terms of working conditions offered to employees, training and development policies at all company levels, and HR management strategies, demonstrating that it is a leading company in HR, committed to continuous improvement of HR policies and best practices*"¹⁰.

The Group used the results of the analysis conducted to identify the areas of greatest interest on which to focus a company survey; this initiative was launched in January 2019, through a first round of interviews involving a selected sample of top managers. These interviews continued throughout the year and will continue in the following two years.

The results of these interviews, together with continued analysis conducted as part of the assessment programme, will guide TOD'S Group in defining an action plan aimed at the continuous optimisation of staff management and development practices (with a direct or indirect impact on the improvement of the corporate climate).

Health and safety

Employee well-being is also dependant on the provision of **adequate health and safety conditions** at the workplace, across all Group facilities.

TOD'S therefore dedicates particular attention to the management of these aspects in order to prevent and reduce the occurrence of accidents and injuries as much as possible. It complies with the relevant legal requirements and obligations, based on the specific regulations in force in the various countries in which it operates.

Although TOD'S has not currently implemented an occupational safety management system, the Group's Prevention and Protection Service has structured its health and safety activities and related documentation in line with best practices and with a view to future applications in this regard.

In the course of 2020, the Group will start the process of implementing a **management system in compliance with the ISO 45001: 2018 standard**, whose initial scope of application will be the headquarters, since it represents the footwear, clothing, logistics and trade divisions, followed by a later extension to the other production sites.

⁹ Top Employer Institute is the body that certifies excellence in HR practices. It was founded in 1991 and has operated in Italy since 2008. The internationally recognised institute analyses and certifies outstanding working conditions and HR policies implemented by companies.

¹⁰ Source: <https://www.top-employers.com/it/companyprofiles/it/tods-s.p.a/>.

Monitoring and improvement over time of health and safety requirements is carried out by the Group through the risk assessment document, a tool based on a similar model for all sites.

The processes used to identify hazards consist, for example, of inspections in work environments carried out with the support of external consultants and technicians, interviews with workers through managers, supervisors and workers' safety representatives, technical investigations to detect the presence of chemical and physical substances in the workplace, and ergonomic analysis to determine the risks of biomechanical overload or related to manual handling of loads. Quantification of risk levels associated with the identified hazards is carried out differently depending on whether the risk relates to accidents or to workers' health. For the former, risk assessment is based on the probability and damage matrix, while for the latter, the Group assesses worker exposure levels, which are then compared with the action and limit values set out by Legislative Decree 81 of 2008 or by other national or international standards.

The quality of the processes for identifying hazards at work and assessing risks is guaranteed by the direct control of the Prevention and Protection Service, through specialised staff (health and safety officers). At the production sites, health and safety officers are generally maintenance staff, guaranteeing the greatest possible contact with the working environment, as well as adequate technical preparation to deal with reports. If external consultants are involved, the Group regulates the protection of sensitive data in accordance with current legislation.

On the basis of the results of the assessment process, if risk factors emerge, the Group carries out immediate or planned optimisation measures as part of the improvement plan. Should it be necessary to make changes that involve the introduction of new risks to the health or safety of workers (such as new chemical substances or mixtures used in production/prototyping, new work equipment or plants), these are subject to prior inspection by the Prevention and Protection Service, who then approve them or make appropriate adjustments.

There is also a steering committee made up of the Group's employers, health and safety officers and competent doctors, which meets at least once a year at each production site.

In order to improve the way it deals with this issue, the Parent Company TOD'S S.p.A. has internal reporting systems covering Health and Safety in the Workplace. These are regularly sent to control bodies.

In 2019, with regard to training on health and safety, the topics that were strictly compulsory pursuant to Legislative Decree no. 81 of 2008, including workplace hazards, have been supplemented with new topics aimed at helping employees to manage and/or prevent possible risk or hazard situations. One example concerned safety in cars, an indispensable means of transport for a wide range of employees, for which the topic of safe, predictive and protective driving was addressed through highly engaging individual and group sessions.

The Group also promoted a series of events dedicated to the culture of prevention. Specifically, in 2019, a cancer prevention meeting was organised at the headquarters, in collaboration with

the Macerata Hospital - Oncological Operating Unit, on the subject of "Breast cancer: new prevention and treatment methods".

TOD'S has partnered with AVIS (Association of Italian Blood Donors) to organise days dedicated to blood collection/donation by corporate and retail employees at TOD'S headquarters in Milan. In 2019, two days were organised by the Group in collaboration with AVIS on 3 September 2019 and 17 December 2019. Four further initiatives have already been planned for 2020.

As part of the training programmes, workers are instructed to report any hazardous conditions, near misses or medication needs to the relevant contact persons; those responsible can in turn directly communicate with the Prevention and Protection Service and the HR Department, depending on their requirements. Workers can also make reports to the on-site workers' health and safety representatives, who guarantee anonymous communication, and can use the whistleblowing system, which guarantees a specific and confidential information channel, protecting the reporter's privacy.

In 2019, there were 44 cases of accidents among employees (a slight increase compared to 36 cases in 2018) and no accidents among contractors¹¹. TOD'S S.p.A. works hard to provide guidance and training around health and safety. All employees benefit from training programmes focusing on the prevention of accidents and occupational diseases, split between classroom learning and e-learning.

"There is a still a lot of appreciation for the idea, which was implemented years ago in the main plant, of designing a company on a human scale, with spaces dedicated not only to work, but also to the well-being of our employees and their children."

Diego Della Valle

¹¹ External laboratories in the Footwear and Leather Goods divisions that worked exclusively for TOD'S Group.

4.2 Environment

TOD'S Group is committed to respecting and protecting the environment by reducing the environmental impact of its activities, through the optimisation and rationalisation of all processes that may have some impact on the ecosystem.

The Group therefore considers protection of the environment and sustainable development of the area in which it operates to be of primary importance, taking into consideration the rights of the community and of future generations.

Every year, TOD'S undertakes a wide range of initiatives in this field. More specifically, the Group is active in devising and developing projects designed to maximise energy savings and efficiency in its production and commercial sites. This commitment is accompanied by further ambitious objectives such as the responsible management of water resources, controlling waste production and the use of recycled materials to furnish its stores.

Environmental policy

Tod's Group is committed to protecting the environment, preventing pollution and using sustainable resources, reducing and minimising the impact of its business operations on the environment, both with respect to its manufacturing sites and its commercial locations.

To this end, TOD'S Group prepared an **Environmental Policy** in 2019 (approved by the Board of Directors on 12 March 2020) to further reinforce these principles and to improve environmental performance.

With the adoption of this Policy, TOD's Group does not merely intend to meet the compliance obligations associated with its activities, but is determined to further reduce its environmental footprint, improving its performance at the same time, by resolutely pursuing the following ambitious objectives:

- reduction and optimisation of energy consumption, including through self-production and use of energy from renewable sources;
- reduction of emissions directly generated by its business activities, fully respecting the policies adopted with the Paris Agreement, aimed at curbing the rise in global temperatures;
- adoption of criteria for the design and construction of its buildings geared towards energy efficiency and reduction of environmental impact;
- reduction of waste production in production sites, offices, shops and distribution logistics, promoting waste recycling and reduction of landfill quantities;
- reduction and optimisation of the use of paper and plastic materials, with particular attention to packaging, while also promoting the use of alternative sustainable and plastic-free solutions;

- adoption of a plan for the prevention and management of environmental emergencies;
- selection of logistics carriers with less environmental impact, when possible;
- gradual elimination of certain chemicals from the production process, even though they are permitted by law;
- promotion of research and development of our products with an eco-friendly focus, considering the entire life cycle;
- reduction and optimisation of water consumption.

In line with the Group's sustainability objectives, in 2019 TOD'S also began preparations for implementation of the **ISO 14001:2015 environmental management system** by 2020, whose scope of application will cover the Brancadoro complex: the headquarters, the production plant, the raw materials warehouse and the outlet.

Energy efficiency measures in Information Technology services

TOD'S Group has long been active in the identification, selection and monitoring of energy efficiency projects in the field of Information Technology services.

In recent years, the Group has also continued to consolidate, rationalise and virtualise its servers. To date, over 90% of physical servers have been converted into virtual servers, with appreciable benefits in terms of energy consumption and related CO2 emissions.

TOD'S also actively promotes the use of meeting rooms with video conferencing systems in order to limit business trips: on the one hand, this reduces environmental impact associated with travel and, on the other hand, it improves employees' quality of life.

To date, in all its main global offices (from Milan to Tokyo), TOD's Group has 12 meeting rooms equipped with modern video conferencing systems. In recent years, employees have become significantly more aware about the use of these systems. With this in mind, in 2019 the Group began a digital transformation process by introducing new advanced remote collaboration tools, such as "Teams", which is available to a network of 1,800 users.

Furthermore, over the last few years certain best practices have been shared with employees in order to promote positive behaviour from an environmental point of view.

In line with this process, TOD'S has reduced the number of printers by providing dedicated print centres, as well as by streamlining the systems by installing multi-function devices, each of which can print, copy and scan, which naturally leads to energy savings and simplification of maintenance activities. The existing equipment is also being gradually replaced with devices with lower energy consumption.

In 2019, in line with previous years, TOD'S continued to develop numerous initiatives relating

to the digitalisation and optimisation of business processes, in order to progressively reduce environmental impact and to minimise the use of resources and consumable materials, including, but not limited to:

- extension, for the Group's four brands, to all Italian and European showrooms, of digitalisation of procedures for issuing purchase orders and for customers to sign related documentation;
- continuation of initiatives dedicated to digitalisation of reporting activities downstream of quality control of finished products;
- digitalisation of reporting activities downstream of quality control of leather raw materials;
- extension to France of the procedures relating to the entire business travel process;
- procedures for digitalising, at a global level, coupons for the collection of customer contact data by the boutiques.

The digitalisation and optimisation of processes will also continue in the coming years through the implementation of additional project initiatives.

Responsible management of resources¹²

Energy consumption

Over the course of 2019, TOD'S Group's **electricity** consumption was 123,666 GJ (down by more than 6% compared to the previous year), while consumption of **natural gas** was equal to 19,443 GJ (down by around 28% compared to 2018).

Reduction in electricity consumption is linked to further improvement in the energy efficiency of the lighting systems installed at the various sites and to improved management resulting from the implementation of the new consumption monitoring system for all industrial sites. The reasons for the significant decrease in natural gas consumption in 2019 compared to the previous year include energy efficiency improvements at the Brancadoro headquarters, which involved the construction of domestic hot water systems, the implementation of a new monitoring system that enables ignition optimisation and timely management of temperatures as well as, to a lesser extent, more favourable climatic conditions.

In addition to optimisation of energy consumption, for several years the Group has been **committed to using energy from renewable sources**: TOD'S has installed two photovoltaic systems, one at the Brancadoro headquarters, which has been operating since 2011, and the other at the Arquata del Tronto plant (which became operational in 2018). The Brancadoro system has an installed power of 956.88 kWp, while the Arquata del Tronto system has an installed power of 50 kWp. In 2019, the systems produced a total of around 3,810 GJ of energy (in line with the previous year), respectively meeting around 15% of the headquarters' energy requirements and around 20% of the Arquata del Tronto plant's requirements. In 2019 **oil** consumption totalled 1,315 GJ (in line with the previous year).

TOD'S also has geothermal facilities at its headquarters which are used to provide sustainable power for its air-conditioning systems.

With regard to the reduction in energy consumed by the Group's car fleet, in 2019, for the first time in Italy, cars powered by methane gas were used.

¹² With reference to the availability and materiality of the data, the sample taken into consideration – which equated to 4,815 employees in 2019 – has the following limitation: the production and disposal of waste refers to 99.1% of the sample evaluated.

Where data was not readily available, estimates have been used.

Energy consumption by type (2019 - 2018)

Typology of energy consumption (GJ)*	2019	2018
Natural gas	19,443	26,847
Diesel fuel consumption	1,315	1,315
Transport Diesel **	12,696	12,384
Transport Petrol **	291	442
Electricity ***	123,666	131,908
Total	157,411	172,896

* Conversion factors for 2019: natural gas 1 m³ = 0.035303 GJ, oil 1 kg = 0.042877, diesel 1 kg = 0.04278 GJ, petrol 1 kg = 0.042817 GJ, electricity 1 kWh = 0.0036 GJ.

** This consumption refers to the consumption of the Group's (owned and leased) company car fleet. In 2018 these figures (transport diesel and transport petrol) were reported in the calculation of Scope 1 emissions.

*** For 2019, the electricity self-produced by photovoltaic systems is equal to 3,811 GJ (3,825 GJ in 2018), the electricity purchased is equal to 119,897 GJ (128,051 GJ in 2018) and the electricity fed back into the grid is equal to 42 GJ (32 GJ in 2018).

In 2019, the Group's commitment to reducing energy consumption was once again illustrated by a range of initiatives focusing mainly on Italy, the location of the Group's headquarters and main production and logistics facilities. This process is the natural progression of the application and structured management of the energy efficiency action plan produced following an energy audit carried out in 2015. In addition to the requirements set out in Legislative Decree 102 of 2014, this audit also analyses the energy consumption of all production and logistics sites owned by the Group. In 2019 the Group carried out, in accordance with the terms set out in Legislative Decree 102 of 2014, energy audits for the most significant sites (Brancadoro, Comunanza and Monteprandone). In this regard, TOD'S analysed the data collected by the monitoring system in a timely manner, identifying potential energy efficiency and optimisation measures (supported by a business plan) for implementation in the following three years. The Group has also voluntarily extended its monitoring activities to the other production sites by activating the "Enel channel", which provides consumption data for the previous month. A similar activity has been carried out for the outlets in Agira (EN), Reggello (FI) and Serravalle Scrivia (AL).

TOD'S, as was the case for the recent measures implemented, is committed to the development of initiatives in line with **design guidelines** intended to increase the energy performance of company buildings, including measures such as:

- equipping buildings with high-efficiency insulation;
- installing photovoltaic systems;
- using geothermal systems for air-conditioning and heating;
- replacing traditional light bulbs with LED bulbs.

The Group's commitment to reducing energy consumption is further illustrated by the continuation of energy efficiency initiatives in 2019. One of the Group's most important projects, completed in 2019, focused on **monitoring energy consumption** at industrial sites through special measuring equipment (MID multimeters). This network of tools has enabled precise analysis of energy consumption and identification of appropriate rationalisation and optimisation measures. Moreover, the lighting systems have been made more efficient through the replacement of additional ceiling lights at the headquarters with LED lighting systems. These measures have also been extended to the production sites of Tolentino and Bagno a Ripoli - Loc. Vallina. The Group is also committed to reducing consumption in stores through the use of LED technology for lighting the premises and displays in the sales areas.

Water consumption

With regard to **water consumption**, TOD'S Group has always worked hard to ensure that it is constantly monitored and plans technical checks in the event of significant changes to past consumption levels. In 2019 the Group's water consumption amounted to around 161 megalitres (67% of which in "water-stressed"¹³ areas), an increase of around 0.7% compared to 2018.

Considering the range of activities undertaken by the business, the Group's water consumption levels are almost entirely attributable to its headquarters and production sites, where the majority of employees, who use water for hygienic/sanitary purposes, are based, with only a small percentage attributable to the DOSSs and showrooms. In relation to the sources used, in 2019 the percentages of water resources drawn from the subsoil and from aqueducts were broadly aligned.

The Group's commitment to responsible water management is formalised in guidelines adopted by its headquarters. This is further underpinned by the decision to use water from the subsoil for all irrigation systems (where present).

In 2019, the overall quantity of water released back into the environment was estimated at 29.57 megalitres, broadly in line with the previous year. These releases relate in particular to water that is drawn from the subsoil and used as a heat carrier for the operation of the high-efficiency reversible heat pumps necessary for the buildings' air conditioning. This water, used in a closed cycle, returns to a technical tank that is both a water supply for irrigation and for fire fighting; when this tank reaches maximum capacity, the excess water is released back into the ground.

¹³ Water stress refers to the ability or inability to meet water demand, whether human or ecological; it may refer to water availability, quality or accessibility, is based on subjective elements and is assessed differently based on social values such as water potability or accessibility requirements for ecosystems ("CEO Water Mandate, Corporate Water Disclosure Guidelines, 2014").

Water used by source type¹⁴ (2019 - 2018)

Typology of sources (mg/L)	2019	2018
Water from subsoil	80.300	76.650
Water from aqueduct	80.651	83.262
Total	160.951	159.912

With reference to the domestic hot water needed for the services at the headquarters (children's centre, company restaurant, toilets, etc.), the Group, in order to reduce its consumption of methane gas, completed the installation of thermal solar panels and electric heat pumps in 2019, recording, from the outset, a reduction in the consumption of methane gas used as fuel for thermal plants.

Production and disposal of waste

The Group recognises the importance of ensuring the responsible management of the **waste produced** as a result of its activities. Where possible, it tries to promote recycling in order to reduce the quantity of waste requiring disposal. In 2019, TOD'S Group produced around 3,230 tonnes of waste. The increase of about 70% compared to 2018 is largely due to the relocation of the offices, showrooms and boutiques of the Omotesando complex in Japan. Non-hazardous waste accounts for almost all – 99.87% – of the total waste generated (slightly down from 2018). As regards disposal methods, over 35% of the waste produced by the Group has been stored with a view to recycling in the future. Waste disposed of in landfills was generated by stores and showrooms in other countries.

¹⁴ Given that water used for the condensation process does not have its properties altered, it is therefore not considered waste water and thus the quantity of such water released back into the ground is not included in the sample. The quantity of water released back into the ground is subtracted from the figure in the table relating to the quantity of groundwater.

Type of waste produced (2019-2018)**

Type of waste produced (ton)	2019			2018		
	Dangerous	Not dangerous	Total	Dangerous	Not dangerous	Total
R13*	0.8	1,128.7	1,129.5	5.7	1,005.4	1,011.1
D15*	3.1	89.8	92.8	1.7	98.9	100.7
D8 e D9*	-	42.8	42.8	-	38.3	38.3
R4*	-	2.3	2.3	-	1.8	1.8
R5*	-	0.7	0.7	-	0.6	0.6
Landfill	-	1,849.0	1,849.0	-	618.0	618.0
Total	3.9	3,113.3	3,117.2	7.4	1,763.0	1,770.4

* R13: storage for recycling at a later date; D15: preliminary deposit ahead of disposal operations; D8 and D9: biological treatment and chemical/physical treatment; R4: metal recycling; R5: recycling/reuse of other non-organic substances.

** The 2019 figures do not include the figures for the Italian Touch Srl company.

** Data for 2018 and 2019 shown in the table does not include the waste produced at the production sites in Albania and Hungary. However, these figures are reported in the paragraph below the table.

Aware of the importance of reducing waste production, even before identifying strategies for the reuse and recycling of waste, TOD'S Group committed itself in an increasingly practical manner to reducing the quantity of waste produced in the course of its daily activities, not only in the production cycle. In particular, in order to reduce the consumption of paper towels, a pilot project was launched to install a hot-air hand drying system in some of the areas in the headquarters. In 2019, the same operation was carried out in services for customers in "F&F sales". Again in 2019, to reduce the quantity of plastic waste, large plastic drinking water bottles were replaced with filtered water dispensers in additional refreshment areas in the Brancadoro headquarters. The same measure was taken in the company restaurant, which provides an average of 600 meals a day. The plant in Bagno a Ripoli - Loc. Vallina has been equipped with water dispensers, while assessments are currently underway for the Arquata del Tronto, Comunanza and Monteprandone sites, where the quality of the water supplied by the aqueduct has been analysed with positive results.

Following the launch of a pilot project in certain management areas of the headquarters, the installation of separate waste collection systems in the Brancadoro areas is nearing completion. In 2020, the Group will implement waste management software (forms, registers, Environmental Declaration Forms) that will enable monitoring of the entire supply chain, including draining channels and sorting plants.

In addition to the quantities shown in the above table, 2019 saw around 0.40 tonnes of hazardous waste and around 114.3 tonnes of non-hazardous waste generated in the Group's production sites in Albania and Hungary (compared to a quantity generated for the same production sites, in 2018, of around 0.79 tonnes of hazardous waste and around 116.4 tonnes of

non-hazardous waste). Due to the activities carried out at these sites, the quantities of waste generated mainly consist of municipal waste, scrap leather and packaging materials.

Material consumption

Given the Group's area of operations, significant quantities of **office materials** and **product packaging** materials are used. The Group therefore places great importance on carefully managing the consumption of such materials as part of its strategy to minimise and rationalise environmental impacts linked to this. The Group prioritises sustainable materials, particularly those that can be recycled and that come from responsible sources. It also checks whether its suppliers hold relevant certifications.

Main materials used by type (2019 - 2018)¹⁵

Typology of materials	Kilos	
	2019	2018
A4 Paper	53,789	57,156
<i>of which FSC/PEFC</i>	9,758	8,820
A3 Paper	1,710	2,228
<i>of which FSC/PEFC</i>	816	979
Shopping bag	323,467	220,439
<i>of which FSC</i>	213,420	126,300
Cardboard Box	564,423	516,500
A5 Paper (FSC)	1,002	830
B5 Paper (FSC)	9	12
Total	944,400	797,167

0% of the reported materials is renewable.

Greenhouse gas emissions

The main objective of the Group's strategy as regards environmental protection and reducing the impact of its activities is to reduce polluting emissions in the atmosphere. The Group recently began to monitor its greenhouse gas emissions. This enables the Group to plan future initiatives and projects to ensure ongoing reductions in environmental impacts.

The table below details the main emissions generated by the Group. In compliance with the Greenhouse Gas (GHG) protocol, the principal emissions reporting standard, the Group's emissions have been divided up by type. Scope 1 emissions derive from the Group's direct

¹⁵ The higher material consumption recorded in 2019 (an 18.5% increase over the previous year) was caused by the full consolidation of Italian Touch Srl, Italian Touch Shanghai trading Co. Ltd and Italian Touch USA Inc, companies which were all acquired in 2018.

resource consumption, Scope 2 emissions are associated with electricity generation and Scope 3 emissions are linked to employee mobility.

CO₂ emissions (2019 - 2018)¹⁶

Footprint di CO ₂ (Ton CO ₂)	2019	2018
Scope 1	2,138	2,538
Scope 2	13,831	14,883
Scope 3	3,333	3,326
Total footprint of CO₂	19,302	20,747

As can be seen from the table above, the Group's greatest impact in terms of CO₂ emissions, for both years, is produced by Scope 2¹⁷, amounting to 72% for both years.

In addition, with reference to production facilities, the calculation of other polluting emissions into the atmosphere has been entrusted to an external body. In particular, volatile organic compounds (VOCs), nitrogen oxides (NOx) and sulphur oxides (SOx) were calculated as the total of channelled and diffuse emissions. For the purposes of this calculation, the body analysed all Italian production sites included in the mass balance sheets, which are used to create the Solvent Management Plan. The quantity of VOCs calculated for 2019 amounts to 31.2 tonnes, up from 27.3 tonnes calculated in 2018. With regard to nitrogen oxides, around 5 tonnes of NOx were calculated for 2019 (5.5 tonnes in 2018), while for sulphur oxides the quantities for 2019 totalled 0.8 tonnes of SOx (0.9 tonnes in 2018).

¹⁶ Factors used:

- for oil and natural gas (Scope 1), conversion factors developed by the European Environment Agency [EMEP/EEA Air Pollutant Emission Inventory Guidebook - 2016] were used.
- for petrol and diesel (Scope 1 and Scope 3), conversion factors developed by the European Environment Agency [EMEP/EEA Air Pollutant Emission Inventory Guidebook - 2016] and conversion factors calculated by DEFRA [ghg-conversion-factors-2019 update] were used.
- for electricity (Scope 2) conversion factors by Terna [Confronti internazionali - 2017] were used for calculation with the location-based method. With reference to the market-based method, emission factors related to the "residual mix" were used (Source: AIB - 2018 European Residual Mix) where available; elsewhere, the same emission factors used for calculation with the location-base method were used.
- for air and rail transport (included in Scope 3), conversion factors calculated by DEFRA were used [ghg-conversion-factors-2019 update].

With reference to the availability and materiality of the data, the sample taken into consideration – which equated to 4,815 employees in 2019 – has the following limitation: the calculation of Scope 3 refers to 99.96% of the sample evaluated.

¹⁷ CO₂ emissions calculated with the "Location-based method". However, for the calculation of Scope 2 CO₂ emissions, both the methods provided by the GRI Sustainability Reporting Standards were used. With reference to the "Market-based method", the total Scope 2 emissions amount to 17,609 tonnes for 2018 and 16,470 tonnes for 2019.

Transport and logistics¹⁸

Given the highly international nature of the Group, whose extensive distribution network encompasses all the main countries in the world, **transport and logistics** play an essential role in product procurement and distribution activities. Recognising that these activities are related to customer satisfaction, the Group works hard to minimise the environmental impact associated with these aspects, while striving to ensure the standard of the service offered.

As regards the distribution of finished products, in 2019 the overall amount of goods dispatched was equal to around 10,440 tonnes, an increase of approximately 3.5% on the 2018 figure. The Group works with leading logistics partners for product deliveries via air, sea and – most extensively – road.

In order to plan more precise measures to increase consumption efficiency in the area of transport and logistics, TOD'S Group is working hard to intensify its monitoring of environmental impact stemming from transport and logistics, partly in collaboration with its logistics partners. Where possible, these efforts include a greater focus on vehicles with reduced environmental impact.

¹⁸ Where data was not readily available, estimates have been used.

5. Solidarity and Italian spirit

*More than anything else, the idea of Italian spirit – *italianità* – has always been intrinsic to the very essence of the Group. TOD'S has forged its world-renowned reputation by drawing values from Italy, using care and skill to make them its own. The Group is hugely grateful for what Italy has given it and thus strives to give back to local areas, providing support for local communities, particularly the most vulnerable in our society, and promoting art and culture in Italy.*

*The Group's **solidarity** efforts are not just limited to the Italian peninsula, however, despite this being the place in which its roots are firmly set. Given the Group's strong international presence, TOD'S is passionate about the well-being of people all over the world and thus works hard to share the excellence it has achieved and the value it has generated over so many years through a range of global projects and initiatives.*

5.1 Supporting the country and its economic/industrial system

TOD'S Group has always played an active role in **supporting the local areas** in which it operates and the **country** as a whole, both of which have made a vital contribution to its history and values.

The many initiatives in which TOD'S Group has participated have always been characterised by the following themes, which continue to have a significant influence on the spirit driving these projects:

- a sense of responsibility to give back part of its profits to the local community through participation and acts of gratitude. TOD'S constantly relies on local areas for resources, energy and artisanal skills;
- a commitment to take an active role in the promotion and protection of the Italian spirit and Italian culture around the world, both of which are essential factors in Italian manufacturing and the handmade feel that defines the craftsmanship behind TOD'S products;
- a sense of responsibility deriving from the feeling of belonging to a broad collective and of knowing that it is in a position to help those most in need by supporting organisations and associations operating in Italy and around the world.

Supporting local areas

The Group has sought to offer concrete assistance to the local community through various initiatives over time, strengthening its strong ties with the community. A particularly important measure was the decision made at the Shareholders' Meeting of Parent Company TOD'S S.p.A. in 2012 to use **1% of the Group's net profits** to support initiatives designed to help the most vulnerable sections of local society.

Through this initiative, launched in 2012, the Group has been able to collaborate with a range of volunteer associations, providing financial and operational support for their projects and participating actively and passionately in order to promote their work over time. These associations show profound dedication and work ceaselessly to deliver projects across a wide range of areas, including promoting the education and training of young people, helping disadvantaged population sectors and supporting families. The main projects launched or continued in 2019 with help from TOD'S Group are set out below.

Family initiatives

Since 2015, the Group has launched a series of initiatives designed to support **families in difficult situations** through partnerships with local religious and non-religious associations and regional institutions, who have taken part in the Group's "solidarity meetings".

The Group organises "poverty meetings" in local areas in order to coordinate the work of all participating associations working to help citizens or families experiencing situations of difficulty. Tutoring services are also provided.

This initiative is active in Fermo, Civitanova Marche, Comunanza, Comunità Montana dei Sibillini, Tolentino and San Severino Marche. The Group is active in a range of fields, including food support, covering medical expenses, purchasing medicines, paying domestic bills, contributing to rent costs and providing support in emergency situations such as evictions, as well as initiatives designed to help young people and promote social and professional integration.

29,525 BENEFICIARIES OF DONATIONS OF BASIC FOODSTUFFS IN 2019

In the area of **food support**, the Group helps to finance a fund to support the "Banco delle opere di carità Marche" (Marche charity food bank) association, which has been present in the Marche region since 2013.

The charity food bank, which brings together a range of volunteer associations (over 100 in the Marche region), helps needy families by providing a monthly supply of basic foodstuffs.

In 2019, a total of over 797,105 kg of foodstuffs and around 212,265 kg of fruit and vegetables were distributed.

In the field of **healthcare**, TOD'S supports associations working to cover the medical costs of families in difficult situations. The Group has set up a fund with the objective of helping disadvantaged local families to maintain an adequate standard of health and, more importantly, to deal with exceptional and sudden situations. The Group has defined a memorandum of understanding with the local public ASUR health facility designed to cover the minimum costs of all healthcare services, with free participation from medical staff on a freelance basis. The aim of this is to ensure that healthcare is effectively supplied to those most in need. The associations are the parties responsible for identifying and proposing the beneficiaries of the initiatives.

Total services made available from 2017 until exhausted

135 MEDICAL TESTS AND TRANSPORT SERVICES

20 ORTHODONTIC APPLIANCES

50 SPECIALIST VISITS

10 DIAGNOSTIC RADIOLOGY TESTS

Planned measures for healthcare support

The "Il volo delle farfalle" (Flight of the Butterflies) project, meanwhile, is geared towards disabled people and their families. The project encompasses a series of measures designed and run in partnership with the local "La Crisalide" association. The association provides support to

around 200 families residing largely in the areas around the Group's headquarters in Sant'Elpidio a Mare.

The Group's work with the association – which was launched in 2002 – includes the organisation of a range of activities, all of which are focused on promoting **social integration** of disabled people. The initiative organises a range of activities, including music therapy, courses encompassing reading and writing, acting, IT, dancing, cooking, singing, rhythmicics, music, creative painting and bricolage. The project also helps disabled people to create allotments and gardens and to organise group outings at weekends, in addition to offering occupation therapy and appointments with pedagogical specialists

Social integration - disabled people: main results achieved (period: September 2018 - September 2019)

85 PEOPLE INVOLVED BY ACTIVITY

660 MEETINGS BY ACTIVITY

4,290 SERVICES SUPPLIED

As regards **gender-based violence**, the Group financed a range of activities promoted by the anti-violence centre "Percorsi Donna" (Female Journeys) in the province of Fermo in 2019. The centre's sites in Sant'Elpidio a Mare, Porto Sant'Elpidio and Fermo took part in the project, in collaboration with the On The Road association. With the help of a number of regional funds, the Group's support made it possible to reinforce and broaden the scope of existing services.

The main objectives of all initiatives designed to combat gender-based violence is to support women and to encourage them to report abuse, to listen to them and to provide tangible legal, psychological and economic support. The centres also work to facilitate, where necessary, contact between victims of violence on the one hand and local services and law enforcement agencies on the other.

A shelter was set up in 2017 to offer protection and accommodation to women who are suffering from violence and find themselves forced to leave their homes and live in situations that endanger both themselves and their children. The Group helps to organise a number of measures designed to raise awareness of issues around gender-based violence through activities in companies and schools.

Measures against gender-based violence in 2019

33 WOMEN RECEIVED LEGAL SUPPORT

18 WOMEN RECEIVED PSYCHOLOGICAL SUPPORT

6 WOMEN + 9 MINORS INVOLVED IN SERIOUS EMERGENCIES DEALT WITH AT THE SHELTER

56 HOURS OF EVENTS ON GENDER-BASED VIOLENCE IN COMPANIES AND SCHOOLS

5 PUBLIC EVENTS

58 WOMEN RECEIVED AT THE ANTI-VIOLENCE CENTRE, OF WHICH 44 "TAKEN CARE OF"

7 WOMEN BENEFITTING FROM THE SUPPORT GROUP

Initiatives designed to help young people and the elderly

Since 2014, the Group has been the sole backer of a community centre in Casette D'Ete and an afternoon education centre in Comunanza, both of which offer free courses and activities for all sections of the population. Activities dedicated to the elderly such as postural gymnastics are organised during the morning, while afternoon activities are reserved exclusively for young people and encompass art, music, movement, creativity, support with homework and use of the games room. In the evenings, the centre organises a range of adult courses including English, IT, photography, drama, book club, pilates, zumba and yoga. The facility is used throughout the year to organise events in partnership with local schools and cultural associations, including conferences, debates, meetings with authors, training events for teachers and young people, themed parties and parental support activities.

Support for young people and adults: main results in 2019

75 ELDERLY PEOPLE INVOLVED IN MORNING ACTIVITIES

130 YOUNG PEOPLE INVOLVED IN AFTERNOON ACTIVITIES

180 ADULTS INVOLVED IN EVENING ACTIVITIES

The Group is particularly passionate about the **needs and development of young people** and has thus enabled two further projects primarily designed to help young people enter the world of work. The first project offers the **most deserving students** from a hospitality institute the chance to perfect the skills they have obtained in the classroom by spending a few weeks working in prestigious restaurants and hotels in a number of European capitals.

The Group covers 100% of the students' travel and accommodation costs. Academic training in the classroom and on-the-job training is also complemented by participation in workshops and exercises designed to ensure the ongoing development of their abilities.

20/25 STUDENTS UNDERTAKE EXPERIENCES ABROAD EVERY YEAR

The same students also take part in a second project, which includes cooking workshops teaching them how to make authentic, healthy food that they then serve up for lunch at the institute to vulnerable elderly people who have been flagged by the social services of Sant'Elpidio a Mare in the Marche region.

TOD'S purchases all the raw ingredients needed to prepare the food and covers all costs relating to equipping the room used to accommodate elderly people. In addition to representing a great training opportunity for young people, this project ensures that guests have a healthy diet thanks to special menus prepared by the young people and their teachers.

50 MEALS PREPARED BY STUDENTS PER DAY

With regard to school projects, during the 2018/19 school year a number of students and teachers from the hospitality institute **helped to prepare meals** for students of other courses attending afternoon lessons. On average, 50 meals were provided every day. The aim of the project was to give students an experience of the restaurant industry that was as realistic as possible, while also providing a useful service to the school.

Providing support to the elderly is another important objective that the Group continues to pursue through a series of projects designed to make a tangible contribution to the elderly across a number of areas including: information, communication, services, assistance and promotions.

The Group organises initiatives in this area in collaboration with Mondo Sociale APS, working in close partnership with the provincial and regional coordination centres and with public bodies such as ASUR and INCRA (National Institute for the Rest and Care of the Elderly). Over the course of 2019, the Group took part in a project involving many of the 75 social centres in the province of Ascoli Piceno and Fermo. The project saw a range of initiatives organised in order to promote the physical and psychological well-being of the elderly, to raise awareness in local communities of issues relating to the elderly and to encourage social activities.

1,900 ELDERLY PEOPLE INVOLVED IN THE "MISSIONE BENESSERE" PROJECT IN 2019

78 ACTIVITIES ORGANISED FOR ELDERLY PEOPLE INCLUDING COURSES, WORKSHOPS AND CONFERENCES IN 2019.

The "La fattoria sociale Montepacini" (Montepacini Social Farm) project is a multi-year social experiment that sees participation from parents, volunteers and a range of associations operating in the areas of biodiversity, short-chain systems and food sustainability. The Group co-funds the project, ensuring that many of the initiatives can go ahead, including a rehabilitative social/educational centre working with 18 disabled young people and adults, a summer centre in the countryside for over 150 children, agricultural activities and farmyard livestock rearing, work to salvage and preserve ancient and rare seeds and efforts to get young political asylum seekers involved in the activities (15 young people from SPRAR, the "Protection System for Asylum Seekers and Refugees"). Among the many organised activities, there is also a football team made up of 23 young people from the centre. The team competes in a league. The initiative represents

a way of bringing people together, promoting socialising while celebrating the values of collaboration and volunteering.

Visso Youth Centre

In 2019, the Group supported the Parrocchia Maria Santissima di Visso (entrusted with the executive part of the Project) through the signing of an agreement and a special donation to fully cover the expenses involved in the construction of the **Visso Youth Centre**. This project involves the construction of a nearby youth gathering centre to serve the people living in the emergency housing facilities, as well as young people and the entire local community.

Tangible support: the Arquata del Tronto facility



Another concrete example of TOD'S Group's commitment to supporting the local community lies in its decision to help the population of the town of Arquata del Tronto and the surrounding areas in the Marche region affected by the 2016 earthquake.

As a way of sending out a clear message of hope and possibility, TOD'S chose to build a new factory in Arquata and to involve local young people. The factory was built on a site of around 5,000 sq m and was inaugurated on 20 December 2017. It can accommodate around 100 units. Constructed in less than a year, it immediately employed 30 people, who were thus able to rebuild a future in their homeland. 46 people are currently employed at the factory.

The young people began training activities at the TOD'S factories well before the official opening of the factory. The project has enabled the Group to make a tangible contribution to efforts to keep the local community alive, while also sending out a message of hope to local people, who are still living with the consequences of the earthquake.

Notably, the plant was used in 2019 for the production of Tod's No_Code collections.

Aware of its role in this area, the Group has placed particular importance on this project. One of its objectives was to set an example for other businesses and to show that it wants to invest in the local area.

In addition to providing a positive response to a terrible situation like the one affecting these communities, the project is a way of sending out a strong message to the world that it is an economy that is reacting and bouncing back from adversity.

Initiatives supporting Italy's artistic and cultural heritage

Supporting Italian culture, celebrating the Italian spirit and promoting the image of Italy around the world are further important objectives for TOD'S Group, which is active in a range of initiatives designed to protect and promote Italian historical and cultural heritage. The aim of such projects is to consolidate the country's wonderful reputation, to promote its image and to spread its values.

In 2011, the Group teamed up with the Ministry of Cultural Heritage and Activities and the Special Superintendence for the Archaeological Heritage of Rome to fund a series of restoration measures involving the **Colosseum**, with a total value of €25 million.

In 2016, the first phase of the measures came to a close with the completion of the restoration of the north and south sides and the installation of perimeter fences. These measures saw the ancient splendour of one of the most important and well-known symbols of Italy's artistic and cultural heritage restored.

In late 2018, work began on this second phase, which will conclude, based on the last work plan announced by the Ministry, by the first half of 2020.

The work will continue with the start of the last part of the planned interventions, which include the construction of a Service Centre and the conservative restoration of the ambulatories.

As part of its attempts to celebrate Italian culture, manufacturing and contemporary art, TOD'S Group supports two emblems of Milan: the **Teatro alla Scala** and the **Padiglione di Arte Contemporanea (PAC)**.

The Group is proud to be a Permanent Founding Member of the Fondazione Teatro alla Scala, a prestigious and vitally important international institution working to celebrate the historical and cultural heritage of the opera house. The foundation also provides an opportunity to support an outstanding calendar of artistic events and to contribute to the objective of promoting musical culture around the world. With regard to the Padiglione di Arte Contemporanea (PAC), the Group has a four-year agreement with the Municipality of Milan designed to support the completion and promotion of research activities and projects run by the Padiglione, a vital institution in the international contemporary art panorama in Milan, which attracts an average of 27,000 visitors to every exhibition.

In 2019, TOD'S continued to support the **Fondo Ambiente Italiano (FAI)**. Launched in 1975, the non-profit organisation invests great passion and enthusiasm in order to save some of the most important parts of Italy's artistic heritage and natural wonders from decline. The fund also undertakes restoration work and ensures the Italian public can enjoy these assets, while raising awareness among institutions and the general public on how to protect them. In particular, a project was developed to promote and restore the **Colle dell'Infinito**. Situated in the heart of the Marche region, this simple, quiet place, steeped in beauty and charm, inspired "L'Infinito" in 1819, one of the most famous poems by Giacomo Leopardi, the master of Italian poetry. An ode

to the deep bond between space and imagination, it celebrates the great value and indissoluble union between land and culture that represents Italy throughout the world.



The project also included work on the “Orto delle Monache” (Nun’s Garden), with the aim of promoting, both in Italy and at an international level, a route that further enhances the town of Recanati and the Marche region.

In March 2019, for the fifth consecutive year, TOD'S Group supported the creation of the **“Riscatti – Amico fragile” photographic exhibition** at the PAC. Through photographs, drawings and accounts by 9 teenagers, the exhibition narrated the drama of bullying in all its forms, by those who have experienced it and are still experiencing it. Proceeds from the sale of the works on display helped to finance activities dedicated to victims of bullying at the Paediatric Home within the Maternal and Child Health Department of the ASST Fatebenefratelli Sacco hospital in Milan.

Solidarity with the community

Another important partnership is with the **San Patrignano** rehabilitation community, which welcomes young men and women for free. TOD'S Group has been working with the community since 2016 to create special collections. The Group provides free raw materials and sends skilled artisans to give the young people a chance to create collections of bags and leather goods at their workshops. In 2019, thanks to this project, two collections were created in collaboration with tattoo artist Lugosis and the Cuba Lab association for social development and support. The project continues to provide a wonderful opportunity to underline the importance of professional development, which is one of the community's primary objectives. All the proceeds of the

initiative, which were collected through the sale of products developed as a result of this collaboration, marketed both through the community e-commerce site and at the company outlet, were donated to the Community.

Finally, in addition to organising numerous initiatives, TOD'S Group continued its charity work in 2019, including through donation of its products to charity auctions. Several charitable associations have collaborated with the Group in this area, including the Save the Children Fund, Fondazione Francesca Rava, IEO, Fondazione Veronesi, CESVI, Fondazione Marcegaglia, Dynamo Camp, Telethon, AIRC, the Walkabout Foundation, the Breast Cancer Research Foundation, the Hawaiian Humane Society, the Children's Burns Foundation, the Players' Wives Association, the Mother's Choice charity, the Autistic Children Rescue Foundation and Fondazione Sanfilippo.

6. Appendixes

Breakdown of employees by professional category and gender

No. of people	12.31.19			12.31.18		
	Men	Women	Total	Men	Women	Total
Executives	36	22	58	37	21	58
Managers	130	198	328	127	198	325
White collars	1,035	2,123	3,158	1,021	2,009	3,030
Blue collars	499	772	1,271	509	783	1,292
Total	1,700	3,115	4,815	1,694	3,011	4,705

Breakdown of employees by professional category and age range

No. of people	12.31.19				12.31.18			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Executives	-	27	31	58	1	29	28	58
Managers	5	280	43	328	6	279	40	325
White collars	803	2,098	257	3,158	814	1,999	217	3,030
Blue collars	200	682	389	1,271	222	736	334	1,292
Total	1,008	3,087	720	4,815	1,043	3,043	619	4,705

Breakdown of employees by contract type and gender

No. of people	12.31.19			12.31.18		
	Men	Women	Total	Men	Women	Total
Permanent contract	1,470	2,592	4,062	1,430	2,483	3,913
Fixed-term contract	230	523	753	264	528	792
Total	1,700	3,115	4,815	1,694	3,011	4,705

Breakdown of employees by professional category and gender

No. of people	12.31.19			12.31.18		
	Men	Women	Total	Men	Women	Total
Full-time	1,634	2,830	4,464	1,627	2,730	4,357
Part-time	66	285	351	67	281	348
Total	1,700	3,115	4,815	1,694	3,011	4,705

Breakdown of employees by type (corporate/retail) and gender

No. of people	12.31.19			12.31.18		
	Men	Women	Total	Men	Women	Total
Corporate	994	1,524	2,518	996	1,508	2,504
Retail	706	1,591	2,297	698	1,503	2,201
Total	1,700	3,115	4,815	1,694	3,011	4,705

Breakdown of employees by type (corporate/retail) and age range

No. of people	12.31.19				12.31.18			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Corporate	333	1,551	634	2,518	361	1,596	547	2,504
Retail	675	1,536	86	2,297	682	1,447	72	2,201
Total	1,008	3,087	720	4,815	1,043	3,043	619	4,705

Employees covered by collective bargaining agreements*

Employees	12.31.19		12.31.18	
	Total	Total	Total	Total
Covered by collective bargaining agreements	60.1%		63.5%	

* These percentages are calculated on the basis of the total number of employees as of December 31st, 2018 and December 31st, 2019, and must be considered net of countries where local legislation does not provide for the establishment of collective bargaining agreements.

Employees incoming - 2019

Region	<30		30-50		>50		Total		Turnover	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Italy	63	171	68	187	8	24	139	382	13.9%	30.9%
Europe	77	146	49	96	4	15	130	257	49.2%	35.8%
Americas	24	29	22	25	1	3	47	57	38.8%	49.1%
Greater China	61	145	52	170	-	1	113	316	50.9%	45.6%
Rest of the World	11	42	14	62	-	2	25	106	27.2%	30.1%
Total	236	533	205	540	13	45	454	1,118	26.7%	35.9%

Employees incoming - 2018

Region	<30		30-50		>50		Total		Turnover	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Italy	73	158	63	172	7	33	143	363	14.6%	29.9%
Europe	95	186	51	112	4		146	302	51.0%	41.3%
Americas	25	24	11	16	2	3	38	43	33.9%	39.4%
Greater China	69	121	50	118	1		119	240	52.2%	37.9%
Rest of the World	23	26	9	40			32	66	36.4%	20.5%
Total	285	515	184	458	9	41	478	1,014	28.2%	33.7%

Employees outgoing - 2019

Region	<30		30-50		>50		Total		Turnover	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Italy	43	134	60	191	13	38	116	363	11.6%	29.4%
Europe	73	144	48	132	8	18	129	294	48.9%	41.1%
Americas	19	29	11	28	2	1	32	58	26.4%	50.0%
Greater China	62	82	79	148	-	2	141	232	63.5%	33.5%
Rest of the World	14	19	18	46	-	-	32	65	34.8%	18.5%
Total	211	408	216	545	23	59	450	1,012	26.5%	32.5%

Employees outgoing - 2018

Region	<30		30-50		>50		Total		Turnover	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Italy	57	135	53	171	19	53	129	359	13.2%	29.5%
Europe	96	193	53	128	-	6	149	327	52.1%	44.6%
Americas	32	19	12	17	1	4	45	40	40.2%	36.7%
Greater China	59	117	45	100	-	1	104	218	46.1%	34.4%
Rest of the World	14	30	15	36	-	1	30	66	34.1%	20.5%
Total	258	494	178	452	21	64	457	1,010	27.0%	33.5%

Number of recordable work - related injury*

Region	2019			2018		
	Number of recordable work related injury	Number of high-consequence work-related injuries (excluding fatalities)	Number of fatalities as a result of work-related injury	Number of recordable work related injury	Number of high-consequence work-related injuries (excluding fatalities)	Number of fatalities as a result of work-related injury
Italy	29	0	0	21	0	0
Europe	5	0	0	5	0	0
Americas	4	0	0	7	0	0
Greater China	6	0	0	3	0	0
Rest of the World	0	0	0	0	0	0
Total	44	0	0	36	0	0

* Starting with this NFS, it has been decided that accident data will be reported using the new GRI 403 Standard, published by the Global Reporting Initiative (GRI) in 2018 to replace the version published in 2016 and used for the 2018 NFS. For comparison purposes, the 2018 figures have been restated compared to those published in the previous NFS, following the update of the GRI 403 Standard. For previously published data, please refer to the 2018 NFS.

Number of recordable work - related injuries - external associates 2019*

	Italy	Europe	Americas
Total	0	0	0

* In line with what was stated in the 2018 NFS, in 2019 the TOD'S Group started a process to collect data from employers operating the external laboratories for the footwear and leather goods divisions that have worked exclusively for the TOD'S Group. Please note that monitoring of this information began in 2019; data relating to 2018 was therefore not available.

Type of recordable work - related injuries - 2019

Region	Contusions / Fractures	Incised wounds and puncture wounds	Polytrauma	Burns	Other types of minor injuries
Italy	9	7	9	0	4
Europe	5	0	0	0	0
Americas	3	0	0	0	1
Greater China	2	0	0	0	4
Rest of the World	0	0	0	0	0
Total	19	7	9	0	9

Type of recordable work - related injuries - 2018

Region	Contusions / Fractures	Incised wounds and puncture wounds	Polytrauma	Burns	Other types of minor injuries
Italy	11	7	1	0	2
Europe	5	0	0	0	0
Americas	4	0	0	1	2
Greater China	0	0	0	0	3
Rest of the World	0	0	0	0	0
Total	20	7	1	1	7

Recordable work - related injuries Index - 2019*

Region	2019			2018		
	Rate of recordable work - related injuries (a)	Rate of facilities as a result of work - related injury (b)	Rate of high - consequence work - related injuries (excluding fatalities) (c)	Rate of recordable work - related injuries (a)	Rate of facilities as a result of work - related injury (b)	Rate of high - consequence work - related injuries (excluding fatalities) (c)
Italy	1.64	0	0	1.21	0	0
Europe	0.68	0	0	0.57	0	0
Americas	1.76	0	0	3.61	0	0
Greater China	0.64	0	0	0.96	0	0
Rest of the World	0	0	0	0	0	0
Total	1.06	0	0	1.02	0	0

* Where data was not readily available, estimates have been used.

(a) The rate of recordable accidents at work is the ratio between the total number of accidents at work and the total hours worked in the same period, multiplied by 200,000.

(b) The rate of deaths due to accidents at work is the ratio between the total number of deaths due to accidents at work and the total hours worked in the same period, multiplied by 200,000.

(c) The rate of accidents at work with serious consequences (excluding deaths) is the ratio between the total number of accidents at work with serious consequences (excluding deaths) and the total hours worked in the same period, multiplied by 200,000.

Recordable work - related injuries Index - external associates 2019*

	Rate of recordable work - related injuries (a)	Rate of facilities as a result of work - related injury (b)	Rate of high - consequence work - related injuries (excluding fatalities) (c)
Total	0	0	0

* Where data was not readily available, estimates have been used.

(a) The rate of recordable accidents at work is the ratio between the total number of accidents at work and the total hours worked in the same period, multiplied by 200,000.

(b) The rate of deaths due to accidents at work is the ratio between the total number of deaths due to accidents at work and the total hours worked in the same period, multiplied by 200,000.

(c) The rate of accidents at work with serious consequences (excluding deaths) is the ratio between the total number of accidents at work with serious consequences (excluding deaths) and the total hours worked in the same period, multiplied by 200,000.

In line with what was stated in the 2018 NFS, in 2019 the TOD'S Group started a process to collect data from employers operating the external laboratories for the footwear and leather goods divisions that work exclusively for the TOD'S Group. Please note that monitoring of this information began in 2019; data relating to 2018 was therefore not available.

Ratio between base salary for men and women - 2019

Base Salary	Ratio Women on Men 2019				
	Italy	Europe	Americas	Greater China	Rest of the World
Executives	0.80	0.97	-	-	-
Managers	1.03	1.01	1.31	0.82	0.74
White collars	0.90	1.06	1.05	1.02	0.93
Blue collars	0.95	1.16	-	-	-

Ratio between base salary for men and women - 2018

Base Salary	Ratio Women on Men 2018				
	Italy	Europe	Americas	Greater China	Rest of the World
Executives	0.84	1.07			
Managers	0.97	0.97	1.33	1.06	0.68
White collars	0.89	1.04	1.07	1.05	0.94
Blue collars	0.93	0.92			

Ratio between total remuneration for men and women - 2019

Average comprehensive remuneration	Ratio Women on Men 2019				
	Italy	Europe	Americas	Greater China	Rest of the World
Executives	0.66	0.95	-	-	-
Managers	1.01	1.03	1.35	0.73	0.76
White collars	0.90	1.06	1.05	1.08	0.91
Blue collars	0.95	1.16	-	-	-

Ratio between total remuneration for men and women - 2018

Average comprehensive remuneration	Ratio Women on Men 2018				
	Italy	Europe	Americas	Greater China	Rest of the World
Executives	0.75	1.15			
Managers	0.96	0.99	1.39	0.96	0.72
White collars	0.89	1.03	1.07	1.00	0.92
Blue collars	0.93	0.92			

Average training hours per capita, divided by gender and professional category*

No. of people	2019			2018		
	Men	Women	Total	Men	Women	Total
Executives	16.5	10.5	14.2	7.2	6.5	7.0
Managers	21.1	24.2	22.9	20.9	29.0	25.9
White collars	7.2	6.9	7.0	5.9	6.0	6.0
Blue collars	10.1	6.7	8.0	7.2	4.8	5.7
Total	9.3	8.0	8.4	7.5	7.2	7.3

* The per capita figures for 2019 have been calculated net of 3,686 hours of retail training, which could not be divided by professional category.

Employees belonging to legally protected status, divided by professional category and gender

No. of legally protected status people	12.31.19			12.31.18		
	Men	Women	Total	Men	Women	Total
Executives	-	-	-	-	-	-
Managers	1	2	3	1	1	2
White collars	10	24	34	11	22	33
Blue collars	38	36	74	38	35	73
Total	49	62	111	50	58	108

7. Scope and impact of material topics

Material topic	Correlation with topic – specific disclosures	Scope of material topic	Type of impact
Customer experience	N/A	TOD'S Group, suppliers, external workshops	Caused by the Group and directly connected to its activities
Ethics, integrity and anti-corruption	Anti-corruption; Environmental compliance; Non-discrimination	TOD'S Group	Caused by the Group
Health and safety	Occupational health and safety	TOD'S Group staff, external workshops	Caused by the Group and directly connected to its activities
Product quality and uniqueness	N/A	TOD'S Group, suppliers, external workshops	Caused by the Group and directly connected to its activities
Economic performance	Economic performance	TOD'S Group	Caused by the Group
Identity and enhancement of the brand	N/A	TOD'S Group	Caused by the Group
Support for local communities	Local communities	TOD'S Group	Caused by the Group
Employee well-being and work-life balance	Employment	TOD'S Group	Caused by the Group
Raw materials and responsible manufacturing	Materials	TOD'S Group, suppliers, external workshops	Caused by the Group and directly connected to its activities
Staff training and development	Employment; Training and development	TOD'S Group	Caused by the Group
Risk management	N/A	TOD'S Group	Caused by the Group
Responsible management of the supply chain	Procurement practices; Supplier social assessment	TOD'S Group, suppliers, external workshops	Caused by the Group and directly connected to its activities
Climate change and responsible consumption	Environmental Compliance; Emissions; Effluents and waste; Energy; Water	TOD'S Group, suppliers, external workshops	Caused by the Group and directly connected to its activities

Material topic	Correlation with topic – specific disclosures	Scope of material topic	Type of impact
Presence on the market	Presence on the market	TOD'S Group	Caused by the Group
Diversity and inclusion	Diversity and equal opportunities; Non-discrimination	TOD'S Group	Caused by the Group
Protecting art and culture	N/A	TOD'S Group	Caused by the Group
Sustainable business strategy	N/A	TOD'S Group	Caused by the Group
Privacy and data protection	Customer privacy	TOD'S Group	Caused by the Group
Sustainable packaging and design	N/A	TOD'S Group	Caused by the Group
Animal welfare	N/A	TOD'S Group, suppliers, external workshops	Caused by the Group and directly connected to its activities

8. GRI Content Index

TOD'S Group's 2019 Non-Financial Statement was produced in accordance with GRI Standards: *Core option*. The following table shows Group data based on GRI Standards, with reference to the materiality analysis. For each piece of data shown, the relevant page number in the Non-Financial Statement (NFS) and/or Annual Financial Report (AFR) is shown.

<i>GRI Standard</i>	<i>Disclosure</i>	<i>Page</i>
GENERAL DISCLOSURE 2016		
Organisation profile		
102-1	Name of organisation	NFS p. 46
102-2	Activities, brands, products and services	NFS pp. 72-76
102-3	Location of headquarters	NFS pp. 48; AFR p. 1
102-4	Location of operations	NFS pp. 81-82; AFR pp. 4-5
102-5	Legal ownership and form	NFS pp. 62-64; AFR pp. 3-5
102-6	Markets served	NFS pp. 81-82; AFR p. 6
102-7	Scale of the organisation	NFS pp. 72, 81, 116; AFR pp. 6-8
102-8	Information on employees and other workers	NFS pp. 116, 121, 152
102-9	Supply chain	NFS pp. 83-87
102-10	Significant changes to the organisation and its supply chain	NFS pp. 47; AFR pp. 11-14
102-11	Precautionary principle	NFS pp. 65-69
102-12	External initiatives	NFS pp. 88, 98-99
102-13	Membership of associations	NFS pp. 55, 88, 98
Strategy		
102-14	Statement by a senior manager	NFS p. 45
102-15	Key impacts, risks and opportunities	NFS pp. 65-69
Ethics and integrity		
102-16	Values, principles, standards and norms of behaviour	NFS pp. 45, 50, 59-62, 65, 95-96, 98-99
102-17	Procedures for obtaining suggestions and advice on ethical issues	NFS pp. 59-62, 65
Governance		
102-18	Governance structure	NFS pp. 62-64; AFR p.3
Stakeholder engagement		

102-40	List of stakeholder groups	NFS pp. 53-56
102-41	Collective bargaining agreements	NFS p. 153
102-42	Identifying and selecting stakeholders	NFS pp. 53-56
102-43	Stakeholder engagement methods	NFS pp. 53-56
102-44	Key issues and concerns raised	NFS pp. 53-56

Profile of Non-Financial Statement		
102-45	Subjects included in the consolidated financial statements	NFS pp. 47-48; AFR pp. 4-5
102-46	Definition of report content and scope of the issues	NFS pp. 58, 159-160
102-47	List of material issues	NFS pp. 58, 159-160
102-48	Review of information	NFS pp. 46, 154
102-49	Changes in reporting	NFS p. 47
102-50	Reporting period	NFS p. 46
102-51	Date of most recent report	NFS p. 46
102-52	Reporting cycle	NFS p. 46
102-53	Contacts to request information about the report	NFS pp. 48-49
102-54	Statement on reporting in compliance with GRI Standards	NFS pp. 46, 161
102-55	GRI content index	NFS pp. 161-170
102-56	External assurance	NFS pp. 171 - 174

GRI Standard	Disclosure	Page	Omission
MATERIAL TOPICS (All the material topics were reported through topics – specific disclosures relating to 2016)¹⁹.			
Economic performance			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management methods and their components	NFS p. 70; AFR pp. 7-8	
103-3	Evaluation of management methods	NFS p. 70; AFR pp. 7-8	
201-1	Direct economic value generated and distributed	NFS p. 70	
Presence on the market			

¹⁹ The topic-specific GRI 403 Standard (Occupational health and safety) was reported through topic - specific disclosures relating to the year 2018.

103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management method and its components	NFS pp. 116 - 123	
103-3	Evaluation of management methods	NFS pp. 116, 121-123, 163	
202-1	Ratios between the standard wage of a new employee by gender and the local minimum wage	NFS p. 122	
202-2	Proportion of senior managers hired from the local community	In 2018 and 2019, 84.5% of senior managers in the Group's companies were hired from the local community	
Procurement practices			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management method and its components	NFS pp. 83-84	
103-3	Evaluation of management methods	NFS pp. 68-69, 83-87	
204-1	Proportion of spending on local suppliers	NFS pp. 85-86	
Anti-corruption			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management method and its components	NFS pp. 59-62, 66	
103-3	Evaluation of management methods	NFS pp. 59-62, 66, 163	
205-3	Verified incidents of corruption and actions taken	The Group reported no incidents of corruption in 2018 and 2019	
Materials			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management method and its components	NFS pp. 67-68, 83-88, 138	
103-3	Evaluation of management methods	NFS pp. 67-68, 83-88, 130-131, 138	
301-1	Materials used by weight or volume	NFS pp. 88, 138	The raw materials

			analysed (page 88) refer to raw materials purchased, and not raw materials consumed. This information is not available due to confidentiality issues.
Energy			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management method and its components	NFS pp. 68, 130, 133-134	
103-3	Evaluation of management methods	NFS pp. 68, 131, 133-134	
302-1	Energy consumed within the organisation	NFS p. 134	
Water			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management method and its components	NFS pp. 68, 130, 135-136	
103-3	Evaluation of management methods	NFS pp. 68, 131, 135-136	
303-1	Total water withdrawal by source	NFS p. 136	
Emissions			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management methods and their components	NFS pp. 68, 130, 138-139	
103-3	Evaluation of management methods	NFS pp. 68, 131, 138-139	
305-1	Direct GHG emissions (Scope 1)	NFS p. 139	
305-2	Indirect GHG emissions from energy consumption (Scope 2)	NFS p. 139	
305-3	Other indirect GHG emissions (Scope 3)	NFS p. 139	
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx)	NFS p. 139	

	and other significant emissions		
Effluents and waste			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management method and its components	NFS pp. 68, 130, 136-138	
103-3	Evaluation of management methods	NFS pp. 68, 131, 136-138	
306-2	Waste by type and disposal method	NFS p. 137	
Environmental compliance			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management method and its components	NFS p. 68	
103-3	Evaluation of management methods	NFS pp. 68, 165	
307-1	Non-compliance with environmental laws and regulations	The Group received no significant fines or non-monetary sanctions deriving from non-compliance with environmental laws and regulations during 2018 and 2019	
Employment			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management method and its components	NFS pp. 68, 116-120, 122-123, 126-127	
103-3	Evaluation of management methods	NFS pp. 116-120, 122-123, 126-127, 153-154	
401-1	New hires and turnover	NFS pp. 117, 153-154	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	NFS pp. 122-123, 126	This indicator has been qualitatively reported.
Labour management relations			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	

	scope		
103-2	Management method and its components	NFS pp. 68, 116, 153	
103-3	Evaluation of management methods	NFS pp. 153, 166	
402-1	Minimum notice period for operational changes	The minimum notice period is set out in collective bargaining agreements, where present, and by laws in force in the countries in which the Group operates.	
Occupational health and safety			
403-1	Occupational health and safety management system	NFS pp. 127-129	
403-2	Hazard identification, risk assessment and accident investigations	NFS pp. 67-68, 127-129	
403-3	Occupational health services	NFS pp. 127-129	
403-4	Worker participation and consultation and communication on health and safety at work	NFS pp. 127-129	
403-5	Training of workers in health and safety at work	NFS pp. 127-129	
403-6	Promotion of workers' health	NFS pp. 127-129	
403-7	Prevention and mitigation of occupational health and safety impacts in trade relations	NFS pp. 127-129	
403-9	Accidents at work	NFS pp. 129, 154-156	
Training and education			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management method and its components	NFS pp. 68, 116, 123-126, 128	
103-3	Evaluation of management methods	NFS pp. 68, 116, 123-126, 128, 158	
404-1	Average hours of annual training per employee	NFS pp. 123, 158	
Diversity and equal opportunities			
103-1	Explanation of the material issue and its	NFS pp. 57-58, 159-160	

	scope		
103-2	Management method and its components	NFS pp. 68, 116, 120-121	
103-3	Evaluation of management methods	NFS pp. 68, 116, 120-121, 152, 157	
405-1	Diversity in governance bodies and among employees	NFS pp. 64, 152	
405-2	Ratio of basic salary and pay for women compared to men	NFS p. 157	
Non-discrimination			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management method and its components	NFS pp. 68, 116, 120-121	
103-3	Evaluation of management methods	NFS pp. 68, 116, 120-121	
406-1	Incidents of discrimination and corrective measures taken	-	Confidentiality: The Group does not communicate this type of data to external parties.
Local communities			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management methods and their components	NFS pp. 142-151	
103-3	Evaluation of management methods	NFS pp. 142-151	
413-1	Activities involving local communities, impact assessments and development programmes	NFS pp. 142-151	
Supplier social assessment			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management method and its components	NFS pp. 68, 83-84, 88	
103-3	Evaluation of management methods	NFS pp. 68, 83-84, 88	
414-1	New suppliers assessed through the use of social criteria	NFS p. 88	In 2019, a third-party audit process was

			launched in the production chains on environmental and social issues, human rights, health and safety, and ethical principles. This indicator has been qualitatively reported.
Customer health and safety			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management method and its components	NFS pp. 66-67, 95-96	
103-3	Evaluation of management method	NFS pp. 66-67, 95-96, 168	
416-2	Incidents of non-compliance regarding impacts on the health and safety of products and services	In 2018 and 2019 there were no cases of non-compliance with regulations and/or self-regulatory codes concerning the health and safety impacts of products and services.	
Marketing and labelling			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management method and its components	NFS pp. 66-67, 98-99	
103-3	Evaluation of management methods	NFS pp. 66-67, 98-99, 168-169	
417-2	Incidents of non-compliance regarding information and labelling of products and services	During 2018 and 2019, the Group registered no cases of non-compliance with regulations or voluntary codes as regards	

		product/service information and labelling	
417-3	Cases of non-compliance concerning marketing communications	During 2018 and 2019, the Group registered no cases of non-compliance with regulations or voluntary codes as regards marketing activities	
Privacy and data protection			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management method and its components	NFS pp. 66-67,	
103-3	Evaluation of management methods	NFS pp. 66-67, 169	
418-1	Proven complaints regarding breaches of customer privacy and loss of customer data	In 2018 and 2019, the Group did not file any complaints concerning breaches of customer privacy and loss of customer data.	
Product quality and uniqueness			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management method and its components	NFS pp. 67-68, 90-94	
103-3	Evaluation of management methods	NFS pp. 67-68, 90-94	
Brand identify and enhancement			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management method and its components	NFS pp. 50, 71-80	
103-3	Evaluation of management methods	NFS pp. 50, 71-80	
Sustainable business strategy			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management method and its components	NFS pp. 50-52	
103-3	Evaluation of management methods	NFS pp. 50-52	

Customer experience			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management method and its components	NFS pp. 100-114	
103-3	Evaluation of management methods	NFS pp. 100-114	
Animal welfare			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management method and its components	NFS pp. 83	
103-3	Evaluation of management methods	NFS pp. 83	
Sustainable design and packaging			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management method and its components	NFS pp. 130-131, 138	
103-3	Evaluation of management methods	NFS pp. 130-131, 138	
Protecting art and culture			
103-1	Explanation of the material issue and its scope	NFS pp. 57-58, 159-160	
103-2	Management method and its components	NFS pp. 142, 149- 151	
103-3	Evaluation of management methods	NFS pp. 142, 149- 151	

TOD'S Group

Group

Independent auditor's report
on the consolidated non financial statement

Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018

To the Board of Directors of
TOD'S SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial statement of TOD'S SpA and its subsidiaries (hereafter the "Group") for the year ended 31 December 2019 prepared in accordance with article 4 of the Decree, presented in a specific section of the Annual Report and approved by the Board of Directors on 30 March 2020 (hereafter the "NFS").

Responsibility of the Directors and of the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "GRI-Sustainability Reporting Standards" defined in 2016 and subsequent versions, (hereafter the "GRI Standards") as described in the paragraph "Methodological Note" of the NFS, identified as the reporting standards.

The Directors are responsible, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or unintentional errors.

The Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

The Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viali Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felisett 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in *the Code of Ethics for Professional Accountants* published by the *International Ethics Standards Board for Accountants*, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts *International Standard on Quality Control 1 (ISQC Italy 1)* and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our engagement in accordance with "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised ("reasonable assurance engagement") and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily with company personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standards adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with those reported in the Group's Consolidated Financial Statements;
4. understanding of the following matters:
 - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
 - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
 - main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;

5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with the management of TOD'S SpA and we performed limited analysis of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at Group level
 - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
 - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for the plant of Sant'Elpidio a Mare (Italy), which was selected on the basis of its activities and its contribution to the performance indicators at a consolidated level, we carried out site visits during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of TOD'S Group as of 31 December 2019 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Parma, 14 April 2020

PricewaterhouseCoopers SpA

Nicola Madureri
(Partner)

Paolo Bersani
(Authorised signatory)

This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2019 translation.

TOD'S Group

Group

TOD'S Group

Annual Report **as of December 31st, 2019**

TOD'S Group

Financial Statements

Consolidated Income Statement

euro 000's	Note	FY 19	FY 18
Revenue			
Sales revenue	27	915,983	940,499
Other income	27	108,641	10,850
of which non-recurring other income	34	97,503	
Total revenue and income		1,024,624	951,349
of which non-recurring other income		97,503	
Operating Costs			
Change in inventories of work in progress and finished goods		19,130	47,033
Cost of raw materials, supplies and materials for consumption		(244,114)	(272,656)
Costs for services		(238,732)	(234,680)
Costs of use of third party assets		(55,736)	(142,141)
Personnel costs	28	(213,884)	(198,368)
Other operating charges		(35,891)	(32,201)
Total operating costs		(769,228)	(833,014)
EBITDA		255,396	118,335
of which non-recurring other income		97,503	
Amortisation, depreciation and write-downs			
Amortisation of intangible assets	9	(8,775)	(9,073)
Depreciation of tangible assets	10	(35,113)	(34,001)
Depreciation of right of use assets	8	(105,269)	
Other adjustment	11	(3,210)	(1,402)
Total amortisation, depreciation and write-downs		(152,367)	(44,475)
Provisions	16-21	(1,969)	(2,100)
EBIT		101,060	71,760
of which non-recurring other income		97,503	
Financial income and expenses			
Financial income	29	21,855	21,818
Financial expenses	29	(45,945)	(27,827)
Total financial income (expenses)		(24,090)	(6,009)
Income (losses) from equity investments	30		
Profit before taxes		76,971	65,751
of which non-recurring other income		97,503	
Income taxes	13-31	(31,312)	(19,293)
of which non-recurring income taxes		(30,078)	
Profit/(loss) for the period		45,659	46,458
of which non-recurring other income		67,425	
Non-controlling interests		625	688
Profit/(loss) of the Group		46,283	47,146
of which non-recurring other income		67,425	
EPS (in euro)	32	1.40	1.42
EPS diluted (in euro)	32	1.40	1.42

Note: the Consolidated Income Statement doesn't include the information required by CONSOB regulation n.

15519/2006 due to the fact that the amounts are not significant. Please see Note 33 of the Notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

euro 000's	Note	Year 19	Year 18
Profit (loss) for the period (A)		45,659	46,458
Other comprehensive income that will be reclassified subsequently to profit and loss:			
Gains/(Losses) on derivative financial instruments (cash flow hedge)	20	481	(81)
Gains/(Losses) on currency translation of foreign subsidiaries	20	4,801	7,518
Gains/(Losses) on net investments in foreign operations	20	(1,190)	(2,508)
Total other comprehensive income that will be reclassified subsequently to profit and loss (B)		4,092	4,929
Other comprehensive income that will not be reclassified subsequently to profit and loss:			
Cumulated actuarial gains/(losses) on defined benefit plans	22	383	183
Total other comprehensive income that will not be reclassified subsequently to profit and loss (C)		383	183
Total Comprehensive Income (A) + (B) + (C)		50,134	51,570
Of which:			
Attributable to Shareholders of the Parent company		50,772	52,247
Attributable to non-controlling interests		(638)	(677)

Note: the figures shown above in the Consolidated Statement of Comprehensive Income are represented net of tax effect.

Consolidated Statement of Financial Position

euro 000's	Note	12.31.19	12.31.18
Non current assets			
<i>Right of use assets</i>			
Right of use assets	8	446,126	
Total Right of use assets		446,126	
<i>Intangible fixed assets</i>			
Assets with indefinite useful life	9	565,934	565,934
Key money	9		13,510
Other intangible assets	9	24,619	25,264
Total Intangible fixed assets		590,552	604,708
<i>Tangible fixed assets</i>			
Buildings and land	10	55,533	112,587
Plant and machinery	10	11,086	12,169
Equipment	10	11,945	11,498
Leasehold improvement	10	37,229	33,867
Others	10	34,796	33,769
Total Tangible fixed assets		150,589	203,890
<i>Other assets</i>			
Investment properties	12	15	18
Equity investments			
Deferred tax assets	13	51,913	56,151
Others	14	19,027	19,598
Total other assets		70,955	75,767
Total non current assets		1,258,222	884,364
Current assets			
<i>Inventories</i>			
Inventories	15	384,632	362,168
<i>Trade receivables</i>			
Trade receivables	16	97,170	101,222
<i>Tax receivables</i>			
Tax receivables	16	12,954	11,577
<i>Derivative financial instruments</i>			
Derivative financial instruments	17	1,393	1,998
<i>Others</i>			
Others	16	67,355	64,326
<i>Cash and cash equivalents</i>			
Cash and cash equivalents	18	184,072	191,268
Total current assets		747,576	732,559
Total assets		2,005,798	1,616,923

to be continued

Note: the Consolidated Statement of Financial Position doesn't include the information required by CONSOB regulation n. 15519/2006 due to the fact that the amounts are not significant. Please see Note 33 of the Notes to the consolidated financial statements .

euro 000's (continuing)	Note	12.31.19	12.31.18
Equity			
Share capital	20	66,187	66,187
Capital reserves	20	416,588	416,588
Hedging and translation reserves	20	15,441	11,348
Other reserves	20	537,138	523,882
Profit/(loss) attributable to the Group	20	46,283	47,146
Total Equity attributable to the Group		1,081,637	1,065,150
Non-controlling interest			
Share capital and reserves		(464)	236
Profit/(loss) attributable to non-controlling interests		(625)	(688)
Total Equity attributable to non-controlling interests		(1,089)	(452)
Total Equity		1,080,548	1,064,699
Non-current liabilities			
Provisions for risks	21	11,530	5,476
Deferred tax liabilities	13	39,047	47,740
Employee benefits	22	16,416	14,189
Derivative financial instruments	17	225	672
Bank borrowings	23	84,023	77,804
Non-current lease liabilities	24	344,201	
Others	25	13,779	14,569
Total non-current liabilities		509,221	160,450
Current liabilities			
Trade payables	26	137,191	148,989
Tax payables	26	22,869	5,851
Derivative financial instruments	17	2,385	3,170
Others	26	45,409	43,850
Banks	23	112,130	188,715
Current lease liabilities	24	94,879	
Provisions for risks	21	1,166	1,200
Total current liabilities		416,028	391,774
Total Equity and liabilities		2,005,798	1,616,923

Note: the Consolidated Statement of Financial Position doesn't include the information required by CONSOB regulation n. 15519/2006 due to the fact that the amounts are not significant. Please see Note 33 of the Notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

euro 000's		12.31.19	12.31.18
Profit/(Loss) for the period		45,659	46,458
Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:			
Amortizat., deprec., revaluat., and write-downs	8-9-10-11-15-16	157,798	47,448
Other non monetary expenses/(income)	17-20-21	(83,798)	(7,528)
Income taxes for the period	31	31,312	19,293
Changes in operating assets and liabilities:			
Trade receivables	16	4,514	6,011
Inventories	15	(28,356)	(52,640)
Tax receivables and tax payables	16-26	(1,397)	(3,237)
Trade payables	26	(11,797)	(18,101)
Other assets and liabilities	14-16-25-26	(373)	(8,330)
Change in reserve for employee	22	1,830	1,266
Cash flows from operating activities		115,391	30,640
Interests (paid)/collected		(847)	(124)
Interests (paid) on lease liabilities		(13,105)	
Income taxes (paid)/refunded		(2,902)	(5,085)
Net cash flows from operating activities (A)		98,537	25,431
Net investments in intangible and tangible assets	9-10	(48,682)	(41,116)
Acquisition of Italiantouch group			(19,350)
Acquisition of other subsidiaries			(1,150)
Other changes in fixed assets			
Sale of Omotesando building	34	141,400	
Cash flows generated (used) in investing activities (B)		92,718	(61,615)
Dividends paid	20	(33,094)	(46,331)
Capital increase			
Other changes in Equity			
Repayments of lease liabilities		(91,645)	
Repayments of financial liabilities	23	(225,961)	(48,883)
Proceeds from financial liabilities	23	150,000	100,000
Cash flows generated (used) in financing (C)		(200,700)	4,786
Translation differences (D)		(3,291)	(956)
Cash flows from continuing operations (E)=(A)+(B)+(C)+(D)		(12,735)	(32,355)
Cash flow from assets held for sale (F)			
Cash flows generated (used) (G)=(E)+(F)		(12,735)	(32,355)
Net cash and cash equivalents at the beginning of the period		173,344	205,699
Net cash and cash equivalents at the end of the period		160,609	173,344
Change in net cash and cash equivalents		(12,735)	(32,355)

Consolidated Statement of changes in equity

Year 2019 euro 000's	Share Capital	Capital reserves	Hedging and reserve for translation	Retained earnings	Group interests	Non- controlling interests	Total
Balances as of 01.01.19	66,187	416,588	11,348	571,027	1,065,150	(452)	1,064,698
Profit & Loss account				46,283	46,283	(625)	45,659
Directly in equity			4,092	396	4,488	(13)	4,475
Total Comprehensive Income			4,092	46,679	50,772	(638)	50,134
Dividend paid				(33,094)	(33,094)		(33,094)
Capital increase							
Share based payments							
Other (1)				(1,190)	(1,190)		(1,190)
Balances as of 12.31.19	66,187	416,588	15,441	583,423	1,081,637	(1,089)	1,080,548

Year 2018 euro 000's	Share Capital	Capital reserves	Hedging and reserve for translation	Retained earnings	Group interests	Non- controlling interests	Total
Balances as of 01.01.18	66,187	416,588	6,360	597,137	1,086,272	880	1,087,152
Change accounting standards (IFRS 15)				(4,334)	(4,334)		(4,334)
Balances as of 01.01.18	66,187	416,588	6,360	592,803	1,081,938	880	1,082,818
Profit & Loss account				47,146	47,146	(688)	46,458
Directly in equity			4,988	113	5,101	11	5,112
Total Comprehensive Income			4,988	47,259	52,247	(677)	51,570
Dividend paid				(46,331)	(46,331)		(46,331)
Capital increase							
Share based payments							
Other				(22,704)	(22,704)	(655)	(23,359)
Balances as of 12.31.18	66,187	416,588	11,348	571,027	1,065,150	(452)	1,064,698

Notes:

⁽¹⁾ They mainly include the use of the specific reserve for promoting territorial solidarity projects.

TOD'S Group

Notes to the Consolidated Financial Statements

1. General notes

The 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 firm's mission is to offer global customers top-quality products that satisfy their functional requirements and aspirations.

The parent company TOD'S S.p.A., registered office in Sant'Elpidio a Mare (Fermo) at Via Filippo Della Valle 1, is listed on Mercato Telematico Azionario (MTA) of Borsa Italiana S.p.A.

At December 31st, 2019 TOD'S S.p.A. share capital is owned by DI.VI. FINANZIARIA of DIEGO DELLA VALLE & C. S.r.l. for 50.291%.

The consolidated financial statements has been prepared by the Board of Directors of TOD'S S.p.A. and it is subject to PricewaterhouseCoopers S.p.A. audit.

2. Basis of preparation

The Consolidated Financial Statements were prepared in accordance with IAS/IFRS (International Accounting Standards – IAS -, and International Financial Reporting Standards – IFRS) issued by IASB, based on the text published on the Gazzetta Ufficiale of European Union (G.U.C.E.). IAS/IFRS refers also to all revised *International Accounting Standards* (IAS) and all interpretative documents issued by the IFRIC (International Financial Reporting Interpretations Committee), previously nominated Standing Interpretations Committee (SIC).

The Notes have been supplemented by the additional information required by CONSOB and its implementing measures of Article 9 of Legislative Decree 38/2005 (Resolutions 15519 and 15520 of July 27th, 2006 and memorandum DEM/6064293 of July 28th, 2006, pursuant to Article 114(5) of the Consolidated Law on Finance-TUF), Article 78 of the Issuer Regulation, the EC document of November 2003 and, when applicable, the Italian Civil Code. Consistently with the financial statements for the previous year, certain information is provided in the Report by the Board of Directors on Operations.

The consolidated financial statements has been prepared on the going concern basis, and it includes the statement of financial position, the income statement, statement of comprehensive income, the statement of cash flows and the statement of changes in equity of TOD'S S.p.A. and its Italian and foreign subsidiaries, which are jointly referred to as the TOD'S Group. It should be noted that, following the application of IFRS 16 as from January 1st, 2019, the consolidated statement of financial position was amended by adding, in the financial statements, a specific line in the section of non-current assets separately from intangible assets and property, plant and equipment, relating to right-of-use assets. On the other hand, a new specific line was added to non-current liabilities, separately from the others, relating to non-current lease liabilities, and

a new specific line was also added to current liabilities, separately from the others, relating to current lease liabilities. As regards the consolidated cash flow statement, it should be noted that the reduction in financial liabilities relating to financial costs on leased assets has been explicitly reported in the section of net cash flows from operating activities; moreover, the section of cash flows from financing activities now explicitly reports the disbursements of the nominal value of lease liabilities. The Consolidated Financial Statements are drawn up in Euro and prepared on the basis of the draft financial statements at December 31st, 2019 (January 1st – December 31st) approved by the respective Boards of Directors or, if no collective body has been appointed, by the Sole Directors, of the legal entities included in the scope of consolidation.

Because the closing date of its fiscal year does not coincide with the reference date of the consolidated financial statements, Tod's Retail India Pte. Ltd was included on the basis of interim financial statements for twelve months, referring to the date of the consolidated financial statements.

For presentation of its operating income, the Group adopted the presentation of the profit and loss by nature. The format of representing revenues and costs by nature is followed, indicating the EBITDA and EBIT results as in the past, since they are considered representative indicators of company performance. In addition, it has been prepared the statement of comprehensive income which include transactions that are outside the income statement but they produce their effects directly to equity. Transactions represented in the statement of comprehensive income are net of tax effects, if applicable.

The statement of financial position shows current items, for which it is supposed that they will be realized or closed during the normal operating cycle, separately from non-current items (both assets and liabilities).

The financial statements schemes, joined with both report on operations and supplementary notes, are considered to be the those that provide the best organized representation of the Group's financial position and income. If it proves necessary or appropriate to amend items in the financial statements 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 financial statements, 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 financial statements.

In this regard, it should be noted that, following the application of IFRS 16, in addition to the changes made to the schedules of financial statements described above, certain income statement items have been reclassified in order to better represent the nature of some costs and

revenues relating to lease agreements. For the purposes of comparing and understanding the information in a more correct manner, the corresponding values for the 2018 financial year have been reclassified accordingly.

Finally, it should be noted that IFRS 16 was adopted by the TOD'S Group as from January 1st, 2019, opting for the modified retrospective approach: therefore, the comparative data have not been restated.

3. Evaluation methods and accounting standards

The accounting standards and principles of consolidation applied to the preparation of these Consolidated Financial Statements are consistent with those applied to the preparation of the Consolidated Financial Statements at December 31st, 2018, also taking into account the information reported below in relation to any amendments, interpretations and new accounting standards applicable from January 1st, 2019.

Accounting standards, amendments and interpretations endorsed by the European Union, applicable from January 1st, 2019, which were applied on first-time adoption in the TOD'S Group's consolidated financial statements at December 31st, 2019

- 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 Leases. 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. The new standard 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 impacts arising from the adoption of this standard on the Group's consolidated financial statements are summarised in Note 7.
- IFRIC 23: Uncertainty over Income Tax Treatments. On June 7th, 2017 the IASB issued IFRIC 23 "Uncertainty over Income Tax Treatments", providing instructions to account for (current and/or deferred) tax assets and liabilities relating to income tax as a result of uncertainties

in the application of tax regulations. The adoption of this standard had no significant impact on the Group's consolidated financial statements.

- Amendments to IFRS 9: Prepayment Features with Negative Compensation. On October 12th, 2017 the IASB issued Amendments to IFRS 9 to clarify the classification of certain financial assets, whose early repayment is permitted when IFRS 9 applies. Specifically, if the financial asset contains a contractual clause that might change the timing or amount of contractual cash flows, the entity must determine whether the contractual cash flows that might arise during the life of the instrument under said clause exclusively consist of payments of principal and interest accrued on the capital amount to be repaid. The IASB has set the date of first-time adoption of the amendments at January 1st, 2019, with early adoption permitted. After having consulted the European Financial Reporting Advisory Group (EFRAG), the Commission has concluded that the amendments to IFRS 9 meet the adoption requirements set out in Article 3.2 of Regulation (EC) 1606/2002. The European Union endorsed these amendments by Regulation (EU) 2018/498 of March 22nd, 2018, which makes amendments to Regulation (EC) 1126/2008. The adoption of these amendments had no impact on the Group's consolidated financial statements.
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures. On October 12th, 2017 the IASB issued amendments to IAS 28 to clarify the application of IFRS 9 Financial Instruments for long-term interests in subsidiaries or joint ventures included in investments in these entities for which the equity method is not applied. The adoption of these amendments had no impact on the Group's consolidated financial statements.
- Amendments to IAS19: Employee benefits- Plan amendment, Curtailment or settlement. On February 7th, 2018 the IASB issued these amendments to clarify how to calculate pension costs when there is a change in defined-benefit plans. The provisions of Amendments to IAS 19 were endorsed by the European Union on March 13th, 2019. The adoption of these amendments had no impact on the Group's consolidated financial statements.
- Annual improvements to IFRSs 2015-2017 cycle. In December 2017 the IASB published these improvements, which included the major amendments to IFRSs: a) IAS 12 Income Taxes: the proposed amendments clarify that an entity should recognise any and all tax effects (tributary relative) concerning the distribution of dividends; b) IAS 23 Borrowing Costs: the proposed amendments clarify that if the specific loans required for the purchase and/or construction of an asset remain outstanding even after that the asset is ready for use or sale, these loans

cease to be regarded as specific and therefore are included in the entity's general financing items for the purposes of determining the capitalisation rate of loans; c) IAS 28 Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures": the proposed amendments clarify that IFRS 9 "Financial Instruments", including impairment requirements, also applies to other financial instruments held for a long period of time and issued to an associate or joint venture. These amendments were endorsed by the European Union on March 14th, 2019. The adoption of these amendments had no significant impact on the Group's consolidated financial statements.

Accounting standards, amendments and interpretations endorsed by the European Union, applicable from January 1st, 2020, and not early adopted by the Group

- Amendments to IAS 1 and IAS 8: Definition of materiality. The amendment was published by the IASB on October 31st, 2018 and provides for a different definition of "material", i.e.: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments will be effective for annual periods commencing on or after January 1st, 2020, with early adoption permitted. Based on a preliminary analysis, the future adoption of these amendments should not have any significant impact on the Group's consolidated financial statements.
- On March 29th, 2018 the IASB published the revised version of the "*Conceptual Framework for Financial Reporting*." The main amendments to the 2010 version include: i) a new chapter on measurement; ii) improved definitions and guidance, in particular with reference to the definition of a liability; iii) clarifications in important areas, such as stewardship, prudence and measurement uncertainty. A document was also published which updated the references to the previously applicable Conceptual Framework reported in the IFRS. Where they are effective updates, the amendments will be effective for annual periods commencing on or after January 1st, 2020.
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform. The amendments provide certain reliefs in relation to the interest rate benchmark reform. The IBOR reform should not cause hedge accounting to terminate. Any hedge ineffectiveness must continue to be recognised in profit or loss. These amendments will be effective from the financial periods commencing on January 1st, 2020. Based on a preliminary analysis, the future adoption of these amendments should not have any significant impact on the Group's consolidated financial statements.

Accounting standards, amendments and interpretations published by the IASB but not yet endorsed by the European Union

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 17: *Insurance Contracts*. On May 18th, 2017 the IASB issued IFRS 17 "Insurance contracts", which sets out the principles for the recognition, measurement, presentation and disclosure of insurance contracts included in the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts, in order to give a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. On 21 June 2018 the IASB provided clarifications concerning the standard in order for the related interpretation to reflect the decisions made by the Board. The board has accepted to clarify some issues concerning the contracts subject to variable rates and issues correlated to IFRS 3 "Business combinations". The provisions of IFRS 17 will be effective from periods beginning on or after January 1st, 2021. Based on a preliminary analysis, the possible future adoption of this standard should not have any significant impact on the Group's consolidated financial statements.
- Amendments to IFRS 3: *Business combinations*. On October 22nd, 2018 the IASB issued the document on the "Definition of a Business (Amendments to IFRS 3)", aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date falls on or after January 1st, 2020, with early adoption permitted. Based on a preliminary analysis, the possible future adoption of these amendments should not have any significant impact on the Group's consolidated financial statements.
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current. The final amendments in Classification of Liabilities as Current or Non-Current affect only the presentation of liabilities in the statement of financial position, not the amount or timing of recognition of any asset, liability, income or expenses, or the information that the entities disclose about these items. Specifically, the amendments:
 - clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make

explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;

- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability;

- clarify that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments will be effective from 1 January 2022 and shall be applied on a retrospective basis, with early adoption permitted. Based on a preliminary analysis, the possible future adoption of these amendments should not have any significant impact on the Group's consolidated financial statements.

The standards listed herein are not applicable since they have not yet been endorsed by the European Union, which, during the endorsement process, may adopt only partially these standards or not adopt them at all.

3.1 Use of estimates. Preparation of the financial statements and notes in conformity with IFRS requires that management make judgments, estimates and assumptions which impact on the values reported for assets and liabilities, as well as disclosures relating to contingent assets and liabilities at the balance sheet date. Estimates and assumptions are based on historical data and other elements deemed significant, as at the end of the accounting period of reference.

3.2 Consolidation principles. A subsidiary is an investee over which the TOD'S Group has i) power over the investee ii) exposure, or right, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of the investor's returns, in accordance with IFRS 10 Consolidated Financial Statements.

The financial statements of subsidiaries are included in the consolidated financial statements from the date when control is acquired until such control terminates.

Acquisitions of subsidiaries are recognized according to the acquisition method. The considerations transferred in a business combination is represented by the aggregate sum, at the acquisition date, of the fair values of the acquired assets, the liabilities incurred or assumed, and the equity interest issued in exchange for control of the acquired entity.

The identifiable assets, liabilities, and potential liabilities of the acquired entity that satisfy the recognition criteria envisaged in IFRS 3 are recognised at their fair value on the acquisition date, with the exception of non-current assets (or groups available to sale) that are classified as held for sale in accordance with IFRS 5.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests over the net amounts of the identifiable assets acquired and

liabilities assumed pursuant to the acquisition. Should the aforesaid difference be negative, the excess is immediately booked in the income statement.

Once control of an entity has been acquired, the transactions where the controlling entity acquires or transfers additional non-controlling interests without altering control over the subsidiary are transactions with shareholders and are thus recognised in equity.

Subsidiaries are consolidated according to the line-by-line method from the date on which control is transferred to the Group. They are deconsolidated starting on the date when such control ceases. The scope of consolidation and the related changes respect to the previous year are represented in the Note 4.

Intercompany transactions and the profits and losses generated by transactions between consolidated enterprises are eliminated from both the balance sheet and the profit and loss account. Unrealised losses arising from intercompany transactions are considered when the transaction entails an impairment in the value of the transferred asset.

When necessary, the balance sheets and profit and loss accounts of the subsidiaries are adjusted in order to bring the applied accounting policies in line with those used by the Group.

3.3 Non-controlling interests. Non-controlling interests are indicated under shareholders' equity as "Non-controlling interests". The non-controlling interests in the acquired business is initially determined in an amount equal to their share of the fair value of the assets, liabilities, and potential liabilities recorded on the date of the original acquisition date and subsequently adjusted according to the changes in shareholders' equity. Likewise, this account reflects the changes in non-controlling interests and any losses allocable to them.

3.4 Transactions in foreign currency.

i. **Functional and reporting currency.** All accounts recognised on the financial statements of the subsidiaries are measured by using the currency of the principal economic environment in which the entity operates (i.e. its functional currency). The Consolidated Financial Statements are stated in euro (rounded to the nearest thousand), since this is the currency in which most Group transactions are executed.

ii. **Transactions in foreign currency.** The financial statements of the individual Group entities are prepared in the functional currency of each individual company. When the individual financial statements are prepared, the foreign currency transactions of Group companies are translated into the functional currency (currency of the primary economic environment in which

each entity operates) by applying the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the financial statements are translated by using the exchange rate in effect at the closing date. Non-monetary assets and liabilities are valued at their historic cost in foreign currency and translated by using the exchange rate in effect at the transaction date.

The foreign exchange differences arising upon settlement of these transactions or translation of cash assets and liabilities are recognized on the profit and loss account.

iii. **Net investment in foreign operation.** A monetary item receivable from or payable to a foreign operation for which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the net investment in that foreign operation. Such monetary items may include long-term receivables or loans. They do not include trade receivables or trade payables.

In the consolidated financial statements that include the foreign operation the exchange differences shall be recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

iv. **Presentation of financial statements drafted in foreign currency.** In order to present the financial statements of consolidated entities that are expressed in a functional currency different from the consolidation currency, the balance sheet items are translated using the exchange rates in effect at the end of the period, while items on the profit and loss account are translated using the average exchange rate for the period. The difference between the result for the period resulting from translation at the average exchange rates and the result of translation at the end of period rates, on the one hand, and the impact on assets and liabilities of changes in the exchange rate relationships between the beginning and end of the period, on the other hand, are recognized under shareholders' equity in a special "Translation reserve" through the recognition in the other comprehensive income.

The translation differences recognized under shareholders' equity are transferred to the profit and loss account at the time of disposal or liquidation of the controlled entity.

The rates applied to translation, compared with those used in the previous year, are indicated in the following table:

	Year 2019		Year 2018	
	Exch. rates as of year end	Average exch. rate	Exch. rates as of year end	Average exch. rate
U.S. dollar	1.123	1.119	1.145	1.181
British pound	0.851	0.878	0.895	0.885
Swiss franc	1.085	1.112	1.127	1.155
Hong Kong dollar	8.747	8.772	8.968	9.256
Japanese yen	121.940	122.006	125.850	130.396
Hungarian forint	330.530	325.297	320.980	318.890
Singapor dollar	1.511	1.527	1.559	1.593
Korean won	1,296.280	1,305.317	1,277.930	1,299.070
Macao pataca	9.010	9.034	9.237	9.534
Chinese renmimbi	7.821	7.735	7.875	7.808
Indian rupee	80.187	78.836	79.730	80.733
Albanian lek	122.050	123.018	123.530	127.621
Canadian dollar	1.460	1.485	1.561	1.529
Australian dollar	1.600	1.611	1.622	1.580
Danish krone	7.472	7.466	7.467	7.453

3.5 Derivative financial instruments. The fundamental characteristics of the derivative financial instruments are set out in the paragraph on Derivative financial instruments (Note 17). The TOD'S Group uses derivatives to hedge foreign currency risks arising from its operations and to hedge risks associated with changes in interest rates on loans, with no speculative or trading purposes consistently with the treasury management strategy policies recommended by the Board of Directors.

As derivatives transactions are carried out to hedge risks arising from changes in expected cash flows (forecast transactions), they are accounted for according to cash flow hedge rules until the transaction is reported in the financial statements; subsequently, derivatives are treated according to fair value hedge rules since they may be described as instruments to hedge changes in the value of assets/liabilities recognised in the financial statements.

Applying IFRS 9 derivatives financial instruments are accounted in accordance with the hedge accounting rules, which provides that derivatives are recognised in the balance sheet at fair value; accounting of changes in fair value differs depending on the type of hedging transaction at the measurement date:

- any changes in the fair value of derivatives that hedge forecast transactions (i.e. cash flow hedge) are recognised directly in other comprehensive income, except for the portion of the change related to the ineffective part of the hedge, which is recognised under financial

income and charges in the income statement; the differences in fair value already directly recognised in other comprehensive income are fully recognised in the income statement, as an adjustment to operating margins, when the assets/liabilities relating to the hedged items are recognised. As regards derivatives used to hedge risks associated with changes in interest rates on loans, the fair value differences already recognised in the other comprehensive income are, on the other hand, allocated to adjusting the amounts of financial income and costs when the positive or negative differentials are settled;

- any differences in the fair value of derivatives that hedge assets and liabilities reported in the financial statements (i.e. fair value hedge) are fully recognised under financial income and charges in the income statement. Additionally, the carrying amount of the hedged item (asset/liability) is adjusted by the change in its value that is attributable to the hedged risk, against an entry under financial income and charges.

The criteria established by IFRS 9 for a hedging relationship to qualify for hedge accounting are the following:

- a) the hedging relationship consists solely of both hedging instruments and hedged items that comply with the provisions of IFRS 9;
- b) at the beginning of the hedging relationship there is a formal designation and documentation of the same hedging relationship together with the objectives and risk management strategies underlying the hedge;
- c) the hedging relationship complies with the provisions of IFRS 9 regarding the effectiveness of the hedge.

3.6 Right-of-use assets.

The asset for the right of use of leased assets is initially measured at cost, and subsequently amortised over the term of the lease agreement. The cost includes:

- the initial amount of lease liabilities;
- incentives received under the lease agreement;
- initial direct costs incurred by the lessee;
- estimated costs that will be incurred by the lessee to restore the leased asset to the conditions existing prior to the lease, according to the provisions of the lease agreement.

Right of use assets are amortised according to the provisions of IAS16. Finally, these assets are tested for impairment according to the provisions of IAS 36.

3.7 Intangible fixed assets.

- i. **Goodwill.** All business combinations are recognized by applying the acquisition method.

Goodwill is measured, at the acquisition date, as the excess of the assets and liabilities recognised and the fair value of consideration transferred including the amount of any non-controlling interests recognised. For acquisitions prior to January 1st, 2004, the date of transition to IAS/IFRS, goodwill retained the values recognized on the basis of the previous Italian GAAP, net of accumulated amortization up to the transition date.

Goodwill is recognized on the financial statements at its cost adjusted for impairment losses. It is not subject to amortization, but the adequacy of the values is annually subjected to the impairment test, in accordance with the rules set forth in the section Impairment losses.

ii. **Trademarks.** These are recognized according to the value of their cost and/or acquisition, net of accumulated amortization at the date of transition to IAS/IFRS. TOD'S, HOGAN, FAY and ROGER VIVIER trademarks are classified as intangible fixed assets with an indefinite useful life and thus are not amortized, insofar as:

- they play a primary role in the Group's strategy and are an essential driver thereof;
- the corporate structure, construed as organized property, plant, and equipment, and organization itself in a figurative sense, is closely correlated with and dependent on dissemination and development of the trademarks on the markets;
- the trademarks are proprietary, properly registered, and constantly protected pursuant to law, with options for renewal of legal protection, upon expiration of the registration periods, that are not burdensome, easily implemented, and without external impediments;
- the products sold by the Group with these trademarks are not subject to particular technological obsolescence, which is characteristic of the luxury market in which the Group operates; on the contrary, they are consistently perceived by the market as being innovative in the national and/or international context characteristic of each trademark.
- trademark are distinguished by market positioning and notoriety that ensures their dominance of the respective market segments, being constantly associated and compared with benchmark brands;
- in the relative competitive context, it can be affirmed that the investments made for maintenance of the trademarks are proportionately modest with respect to the large forecast cash flows.

The adequacy of the values is annually subjected to the impairment test, in accordance with the rules set forth in the section Impairment losses.

iii. **Key Money.** Key money, represent the amounts paid for this purpose by the Group to take over certain leases of commercial spaces where some DOS operate. They are recognized at cost, which consider the cost net of cumulated depreciations and impairment losses.

iv. **Research and development costs.** The research costs for a project are charged fully to the

profit and loss account of the period in which they are incurred.

The development costs of an activity are instead capitalized if the technical and commercial feasibility of the relative activity and economic return on the investment are certain and definite, and the Group has the intention and resources necessary to complete the development.

The capitalized costs include the costs for materials, labor, and an adequate portion of indirect costs. They are recognized at cost, net of accumulated amortization and depreciation (see below) and impairment losses.

v. **Other intangible fixed assets.** These are identifiable non-monetary intangible assets under the control of the company and capable of causing the Group to realize future economic benefits. They are initially recognized at their purchase cost, including expenses that are directly attributable to them during preparation of the asset for its intended purpose or production, if the conditions for capitalization of expenses incurred for internally generated expenses are satisfied.

The cost method is used for determining the value reported on subsequent statements, which entails posting the asset at its cost net of accumulated amortization and write-downs for impairment losses.

vi. **Subsequent capitalization.** The costs incurred for these intangible fixed assets after purchase are capitalized only to the extent that they increase the future economic benefits of the specific asset they refer to. All the other costs are charged to the profit and loss account in the fiscal year in which they are incurred.

vii. **Amortization.** Intangible fixed assets (excluding those with an indefinite useful life) are amortized on a straight-line basis over the period of their estimated useful life, starting from the time the assets are available for use.

3.8 Tangible assets and investment properties

i. **Property, plant, and equipment owned by the company.** They are first recognized at their purchase cost or at the cost recalculated at the date of transition to IFRS, including any directly attributable ancillary expenses.

Following first-time recognition, these assets are reported net of their accumulated depreciation and impairment losses (i.e. in accordance with the cost model).

For those assets whose depreciation must be calculated using the component approach, the portions of cost allocable to the individual significant components characterized by a different useful life are determined. In this case, the value of land and buildings is kept separate, with only buildings being depreciated.

ii. **Subsequent capitalizations.** The costs incurred for property, plant, and equipment after purchase are capitalized only to the extent that they increase the future economic benefits of the

asset. All the other costs are charged to the profit and loss account in the fiscal year in which they are incurred.

iii. **Investment property.** Investment property are originally recognized at cost, and then recognized at their cost as adjusted for accumulated depreciation and impairment losses.

Depreciation is calculated on a systematic, straight-line basis according to the estimated useful life of the buildings.

iv. **Depreciation.** Property, plant, and equipment were systematically depreciated at a steady rate according to the depreciation schedules defined on the basis of their estimated useful life. Land is not depreciated. The principal depreciation rates applied are as follows:

	% depreciation
Industrial buildings	2.5% - 3%
Machinery and plant	12.5%
Equipments	25%
Forms and punches, clichés, molds and stamp	25%
Furniture and furnishings	12%
Office machines	20%
Cars and transport vehicles	20% - 25%

The photovoltaic plant recognised by the parent company is depreciated over a period of 20 years.

The costs for leasehold improvements, which mainly include the costs incurred for set up and modernization of the DOS network and all the other real estate that is not owned but used by the Group (and thus instrumental to its activity) are depreciated according to the term of the lease agreement or the useful life of the asset, if this is shorter.

3.9 Impairment losses. In the presence of indicators, events, or changes in circumstances that presume the existence of impairment losses, IAS 36 envisages subjecting intangible fixed assets and property, plant and equipment to the impairment test in order to assure that assets with a value higher than the recoverable value are not recognized on the financial statements.

This test is performed at least once annually for non-current assets with an indefinite life in the same way as that used for non-current assets that have not yet been placed in service.

Confirmation of the recoverability of the values recognized on the balance sheet is obtained by comparing the book value at the reference date and the fair value less costs to sale (if available) or value in use. The value in use of a tangible or intangible fixed asset is determined according to the estimated future financial flows expected from the asset, as actualized through use of a discount rate net of taxes, which reflects the current market value of the current value of the cash and risks related to Group's activity.

If it is not possible to estimate an independent financial flow for an individual asset, the cash generating unit to which the asset belongs and with which it is possible to associate future cash flows that can be objectively determined and independent from those generated by other operating units is identified. Identification of the cash generating units was carried out consistently with the organizational and operating architecture of the Group.

If the impairment test reveals an impairment loss for an asset, its book value is reduced to the recoverable value by posting a charge on the profit and loss account, unless the asset is revalued. In that case, the write-down is recognized in the revaluation reserve.

When the reasons for a write-down cease to exist, the book value of the asset (or the cash generating unit), with the exception of goodwill, is increased to the new value resulting from the estimate of its recoverable value, but not beyond the net book value that the asset would have had if the impairment loss had not been charged. The restored value is recognized immediately on the profit and loss account, unless the asset is revalued, in which case the restored value is recognized in the revaluation reserve.

Right-of-use assets are tested for impairment according to the provisions of IAS 36.

3.10 Financial assets. Financial assets are recognized in the financial statements from the moment in which the Group acquires the legal right to realize the cash flows arising from these assets based on contractual provisions.

Financial assets are eliminated from the assets of the balance sheet if and only if the contractual right to obtain the cash flows from the same assets has expired or if these financial assets have been transferred and this transfer meets the requirements of IFRS 9 for elimination from the balance sheet.

Financial assets are initially recognized at fair value, which generally correspond with the initial transaction price, net of transaction costs that are directly attributable to the acquisition or issue of the same financial asset.

Following the initial registration, financial assets are recognised according to one of the following methods:

- a) amortized cost;
- b) fair value with related changes booked to the other comprehensive income;
- c) fair value with related changes recognized in the income statement.

In application of the provisions of IFRS 9 regarding the classification and therefore taking into account the Group's business model and the characteristics of the cash flows contractually provided, it should be noted that the Group does not hold financial assets as per points b) and c)

of which above except for what has already been commented previously on derivative financial instruments.

The financial assets are subject to the impairment procedure envisaged by IFRS 9 in order to reflect the expected losses arising from the same financial assets

3.11 Inventories. These are recognized at the lower of purchase cost and their assumed disposal value. The net disposal value represents the best estimate of the net sales price that can be realized through ordinary business processes, net of any production costs not yet incurred and direct sales costs. The cost of inventories is based on the weighted average cost method.

The production cost is determined by including all costs that are directly allocable to the products, regarding – for work in progress and/or semi-finished products – the specific stage of the process that has been reached. The values that are thus obtained do not differ appreciably from the current production costs referring to the same classes of assets.

A special depreciation reserve is set aside for the portion of inventories that are no longer considered economically useable, or with a presumed disposal value that is less than the cost recognized on the financial statements.

3.12 Trade receivables and other receivables. They are initially recognized at fair value, which generally coincides with the initial transaction price, net of transaction costs that are directly attributable to the acquisition or issue of the asset. Following the initial recognition, they are valued at amortized cost using the effective interest method.

In application of IFRS 9, they are subjected to the impairment procedure in order to reflect the expected losses arising from the same receivables by adjusting the entry value with a specific provision for bad debts thus determined:

- receivables under litigation, with certain and precise evidence documenting the impossibility of collecting them, have been analytically identified and then written down;
- for other bad debts, prudent allowances for write-downs have been set aside, estimated on the basis of information updated at the date of this document, also taking into account the expected losses over the life of the receivable.

3.13 Cash and cash equivalents. This includes cash on hand, bank demand deposits, and financial investments with a maturity of no more than three months. These assets are highly liquid, easily convertible into cash, and subject to a negligible risk of change in value.

3.14 Assets and liabilities held for sale. Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is recovered through a sale transaction rather than through continuing use. They are not depreciated and are measured at the lower of carrying amount and fair value, less costs to sell. Assets held for sale and related liabilities are presented separately from other assets and liabilities in the statement of financial position.

TOD'S Group doesn't held any assets and liabilities held for sale as at December 31st, 2019.

3.15 Benefits for employees. Employee benefits include (i) short-term employee benefits such as wages, salaries and related social security contributions, accrued but not yet paid, paid annual leave and paid sick leave, etc.; (ii) post-employment benefits, such as pensions or retirement benefits; (iii) other long-term benefits; and (iv) termination benefits.

Short-term benefits are recognised periodically on an accruals basis and are made up of liabilities to employees that have not been settled by the reporting date.

Post-employment benefits are divided into two categories:

i. **Defined contribution plans.** Payments for any defined contribution plans are recognised in the income statement in the period in which they are due.

ii. **Defined benefit plans.** The costs of defined benefit plans are calculated using the Projected Unit Credit Method, carrying out the actuarial measurements at the end of each financial year. Past service costs are recognised immediately to the extent that these benefits have already accrued; otherwise they are amortised on a straight-line basis within the average period within which the benefits are expected to accrue. The financial costs that have accrued on the basis of the annual discounting rate are recognised in the income statement immediately. Actuarial gains and losses are now recognised through other changes in comprehensive income under the specific equity item.

Liabilities for post-employment benefits recognised in the financial statements represent the present value of liabilities for defined benefit plans. On the other hand, there are no other long-term employee benefits or termination benefits in the financial statements.

iii. **Share based payments.** The payments based on shares are assessed at their fair value on the assignment date. This value is recognized on the profit and loss account on a straight-line basis throughout the period of accrual of the rights. This allocation is made on the basis of a management estimate of the stock options that will actually accrue in favor of vested employees, considering the conditions for use thereof not based on their market value.

The fair value is determined by using the binomial method. No share based payments result in the current consolidated financial statements.

3.16 Lease liabilities

These are measured at the present value of fixed lease payments not yet made as at the date of inception of the lease, as discounted using the lessee's incremental borrowing rate. Liabilities for leased assets are subsequently increased by the interest that accrues on these liabilities and decreased in correlation with the lease payments. Furthermore, lease liabilities may record an increase or decrease in value in order to reflect reassessments or lease modifications of future lease payments that are made after the initial date.

3.17 Financial liabilities

Bank overdrafts and financing. Interest-bearing financing and bank overdrafts are initially recognized at *fair value*, net of transaction costs, and subsequently valued at amortized cost, using the effective interest method.

3.18 Payables

Trade payables and other payables. These are measured at fair value which generally correspond to their nominal value.

3.19 Provision for risks. These are certain or probable liabilities that have not been determined at the date they occurred and in the amount of the economic resources to be used for fulfilling the obligation, but which can nonetheless be reliably estimated. They are recognized on the balance sheet in the event of an existing obligation, legal or constructive, resulting from a past event, and it is likely that the Group will be asked to satisfy the obligation.

If the effect is significant, and the date of the presumed discharge of the obligation can be estimated with sufficient reliability, the provisions are recognized on the balance sheet discounting future cash flows.

The provisions that can be reasonably expected to be discharged twelve months after the reference date are classified on the financial statements under non-current liabilities. Instead, the provisions for which the use of resources capable of generating economic benefits is expected to take place in less than twelve months after the reference date are recognized as current liabilities.

Provisions for risks and charges include an estimate of the costs that the lessee will incur to restore the leased assets to the initial conditions existing at the time the lease agreement is entered into, according to the contract provisions laid down therein.

3.20 Share capital

- i. **Share capital.** The total value of shares issued by the parent company is recognized entirely under shareholders' equity, as they are the instruments representing its capital.
- ii. **Treasury stock.** The consideration paid for buy-back of share capital (treasury stock), including the expenses directly related to the transaction, is subtracted from shareholders' equity. In particular, the par value of the shares reduces the share capital, while the excess value is recognized as an adjustment to additional paid-in capital.

3.21 Dividends. The allocation of dividends to persons possessing instruments representing share capital after the reference date of the financial statement is not recognized under financial liabilities on the same reference date.

3.22 Revenues recognition. Revenues are recognized in the income statement when the contractual obligation relating to the transfer of goods or services has been satisfied. An asset is considered transferred to the end customer when the latter obtains control over the asset itself. With reference to the main transactions realized by the Group, revenues are recognized on the basis of the following principles:

- i. **Sales of goods – retail.** The Group operates in the retail channel through its DOS network. Revenues are recognised when the goods are delivered to customers. Sales are usually collected in the form of cash or through credit cards.
- ii. **Sales of goods – wholesale.** The Group distributes products on the wholesale market. Following the analysis carried out for the purposes of the first application of the accounting standard IFRS 15 (January 1st, 2018), it was decided that, with regard to this type of transaction, there is a single performance obligation. In particular, the related revenues are accounted for when the customer obtains control of the goods shipped (at a point in time) and taking into account the estimated effects of year-end returns. Following the application of IFRS 15, the representation of the liability for returns to be received in the consolidated statement of financial position is recorded separately as a liability, among the Other Liabilities, expressing the debt repayment of the returns (contract liability) and as an activity, among the Inventories, expressing the right to recover the products for returns (contract assets).
- iii. **Sales of goods – e-commerce.** The Group also distributes products directly via the e-commerce channel. The related revenues are accounted for when the customer obtains control of the goods shipped and taking into account the estimated effects of year-end returns, accounted for by separately recognizing a liability, under Other liabilities, expressing the debt for the

repayment of returns (contract liability) and an activity, among the Inventories, expressing the right to recover products for returns (contract assets).

iv. **Provision of services.** These revenues are accounted for in proportion to the stage of completion of the service rendered at the reference date and in accordance with contractual provisions.

v. **Royalties.** Royalties in connection with the licensing of the sale of products (sales-based royalties) or the use of certain assets (usage-based royalties) are recognized in the financial statements when the aforementioned sale or use has occurred or, if later, when the obligation to which the royalty refers has been satisfied.

3.23 Financial income and expenses. These include all financial items recognized on the profit and loss account for the period, including interest expenses accrued on financial payables calculated by using the effective interest method (mainly current account overdrafts, medium-long term financing), foreign exchange gains and losses, gains and losses on derivative financial instruments (according to the previously defined accounting principles), received dividends, the portion of interest deriving from accounting treatment of leased assets (IFRS 16) and employee reserves (IAS 19).

Interest income and expenses are recognized on the profit and loss account for the period in which they are realized/incurred, with the exception of capitalized expenses (IAS 23).

Dividend income contributes to the result for the period in which the Group accrues the right to receive the payment.

3.24 Income taxes. The income taxes for the period include determination both of current taxes and deferred taxes. They are recognized entirely on the profit and loss account and included in the result for the period, unless they are generated by transactions recognized through the other comprehensive income directly to shareholders' equity during the current or another period. In this case, the relative deferred tax liabilities are also recognized under shareholders' equity.

Current taxes on taxable income for the period represent the tax burden determined by using the tax rates in effect at the reference date, and any adjustments to the tax payables calculated during previous periods. Deferred tax liabilities refer to the temporary differences between the book values of assets and liabilities on the balance sheets of consolidated companies and the associated values relevant for determination of taxable income.

The tax liability of all temporary taxable differences, with the exception of liabilities deriving from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, does not influence either the income (loss) reported on the

financial statements or taxable income (tax loss). Deferred tax assets and liabilities are only offset if there is a legally enforceable right to set off the related current taxes and if the deferred tax assets and liabilities consist of income tax levied by the same tax authority.

Deferred tax assets that derive from temporary deductible differences are recognized on the financial statements only to the extent that it is likely that taxable income will be realized for which the temporary deductible difference can be used. No recognition is envisaged if the difference between the carrying amount and the tax base results from a business combinations, or from the initial posting of an asset or liability in a transaction, other than a business combination.

The tax benefits resulting from tax losses are recognised in the financial statements in the period when those benefits are accrued, if it is likely that the Group's entity which recognised the tax loss will have sufficient taxable income before the right to use that benefit expires. The taxes in question (deferred tax assets and liabilities) are determined on the basis of a forecast of the assumed percentage weight of the taxes on the income of the fiscal years in which the taxes will occur, taking into account the specific nature of taxability and deductibility. The effect of change in tax rates is recognized on the profit and loss account of the fiscal year in which this change takes place.

Tax provisions that could be generated from transfers of non-distributable profits from subsidiaries are recognised only when there is a real intention to transfer such profits.

3.25 Statement of cash flows. The statement of cash flows is drafted using the indirect method. The net financial flows of operating activity are determined by adjusting the result for the period of the effects deriving from change to net operating working capital, non-monetary items, and all the other effects connected with investment and financing activities.

Cash flows from investing and financing activities are represented net of exchange rate differences, which are represented in a separate line of the statement of cash flows. Net cash and cash equivalents are made up cash and cash equivalents net of bank overdrafts.

4. Scope of Consolidation

The scope of consolidation at December 31st, 2019 compared to December 31st, 2018 reported changes as a result of the following transactions:

- Merger by incorporation of Del.Com. S.r.l., wholly owned by TOD'S S.p.A., which took place by a deed dated December 23rd, 2019 and which became effective from December 31st, 2019. For accounting and tax purposes, the effects of the abovementioned merger were charged to the merging company's financial statements as from January 1st, 2019;

- Merger by incorporation of Italiantouch S.r.l., wholly owned by TOD'S S.p.A., which took place by a deed dated November 19th, 2019 and which became effective from December 31st, 2019. For accounting and tax purposes, the effects of the abovementioned merger were charged to the merging company's financial statements as from January 1st, 2019;
- Cross-border merger by incorporation of Holpaf B.V., a Dutch company that is wholly owned by TOD'S S.p.A., which took place by a deed dated December 9th, 2019. For accounting and tax purposes, the effects of the abovementioned merger were charged to the merging company's financial statements as from the date of registration of the abovementioned deed of merger with the register of companies, i.e. from December 9th, 2019.

Furthermore, it should be noted that on August 8th, 2019, An.Del. Inc. and Italiantouch S.r.l. signed an agreement for the transfer of 100% of the stake held by the latter in Italiantouch USA Inc., which became effective from September 1st, 2019. This transfer did not entail any effects on the consolidated financial statements.

These operations represent the only changes in the scope of consolidation from the Consolidated Financial Statements at December 31st, 2018.

The scope of consolidation, complete details of which are provided hereunder, has not undergone other changes:

Parent Company

TOD'S S.p.A.

S.Elpido a Mare - Italy

Share Capital (S.C.) - euro 66,187,078

Direct Subsidiaries

TOD'S Deutsch. GmbH Munich - Germany S.C. - euro 153,387.56 % held: 100%	TOD'S France Sas Paris - France S.C. - euro 780,000 % held: 100%	An.Del. USA Inc. New York - U.S.A S.C. - Usd 3,700,000 % held: 100%	TOD'S International BV Amsterdam – Netherlands S.C. - euro 2,600,200 % held: 100%
Roger Vivier S.p.A. S.Elpido a Mare - Italy S.C. – euro 10,000,000 % held: 100%	TOD'S Denmark APS Copenhagen – Denmark S.C. – Dkk 500,000 % held: 100%	TOD'S Austria Gmbh Vienna - Austria S.C. – euro 50,000 % held: 100%	TOD'S Australia PTY Ltd. Sydney – Australia S.C. – Aud 3,300,000 % held: 100%
Re.Se.Del. S.r.l. S.Elpido a Mare - Italy S.C. - euro 25,000 % held: 100%	Del.Pav. S.r.l. S.Elpido a Mare - Italy S.C. - euro 50,000 % held: 50%	Filangieri 29 S.r.l. S.Elpido a Mare - Italy S.C. - euro 100,000 % held: 50%	Italiantouch Shanghai Tr Shanghai – China .C. – euro 2,900,000 % held: 100%

Indirect subsidiaries

Cal.Del. USA Inc. Beverly Hills, Ca - U.S.A. S.C. - Usd 10,000 % held: 100%	TOD'S Tex Del USA Inc. Dallas, Tx - U.S.A S.C. - Usd 10,000 % held: 100%	Deva Inc. Wilmington, De – U.S.A. S.C. - Usd 500,000 % held: 100%	Flor.Del. USA Inc. Tallahassee, Fl - U.S.A. S.C. - Usd 10,000 % held: 100%
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Indirect subsidiaries

Hono.Del. Inc. Honolulu, Hi - U.S.A. S.C. - Usd 10,000 % held: 100%	Il.Del. USA Inc. Springfield, Il - U.S.A. S.C. - Usd 10,000 % held: 100%	Neva.Del. Inc. Carson City, Nv - U.S.A. S.C. - Usd 10,000 % held: 100%	Or.Del. USA Inc. Sacramento, Ca - U.S.A. S.C. - Usd 10,000 % held: 100%
Gen.Del SA Zurich - Switzerland S.C. - Chf 200,000 % held: 100%	TOD'S Belgique S.p.r.l. Bruxelles - Belgium S.C. - euro 300,000 % held: 100%	TOD'S Espana SL Madrid - Spain S.C. - euro 500,000 % held: 100%	Buena Ltd. London - Great Britain S.C. - Gbp 1 % held: 100%
TOD'S Hong Kong Ltd Hong Kong S.C. - Usd 16,550,000 % held: 100%	TOD'S Japan KK Tokyo - Japan S.C. - Jpy 100,000,000 % held: 100%	Alban.Del Sh.p.k. Tirana - Albania S.C. - euro 720,000 % held: 100%	TOD'S Retail India Pte Ltd Mumbai - India S.C. - Inr 193,900,000 % held: 51%
TOD'S Singapore Pte Ltd Singapore S.C. - Sgd 300,000 % held: 100%	Un.Del Kft Tata - Hungary S.C. - Huf 42,900,000 % held: 100%	TOD'S UK Ltd London - Great Britain S.C. - Gbp 350,000.00 % held: 100%	Webcover Ltd London - Great Britain S.C. - Gbp 2 % held: 100%
Roger Vivier Paris Sas Paris - France S.C. - euro 6,700,000 % held: 100%	TOD'S Korea Inc. Seoul - Korea S.C. - Won 2,600,000,000 % held: 100%	TOD'S Macao Ltd Macau S.C. - Mop 20,000,000 % held: 100%	TOD'S (Shanghai) Tr. Co. Shanghai - China S.C. - Usd 32,000,000 % held: 100%
Roger Vivier Japan KK Tokyo - Japan S.C. - Jpy 10,000,000 % held: 100%	talianotouch USA Inc. New York - USA S.C. - Usd 1,000 % held: 100%	Roger Vivier Espana SL Madrid - Spain S.C. - euro 10,000 % held: 100%	Roger Vivier Deutsch. Munich - Germany S.C. - euro 25,000 % held: 100%
Roger Vivier Hong Kong Ltd Hong Kong S.C. - Hkd 1,000,000 % held: 100%	Roger Vivier Sing. PTE Ltd Singapore S.C. - Sgd 200,000 % held: 100%	Roger Vivier (Shan.) Tr.Co. Shanghai - China S.C. - Rmb 75,000,000 % held: 100%	Roger Vivier UK Ltd London - Great Britain S.C. - Gbp 150,000 % held: 100%
TOD'S Georgia Inc. Norcross, GA - USA S.C. - Usd 10,000 % held: 100%	Roger Vivier France SaS Paris - France S.C. - euro 3,507,500 % held: 100%	Roger Vivier Korea Inc. Seoul - Korea S.C. - Won 1,200,000,000 % held: 100%	Roger Vivier Switzerland Lugano - Switzerland S.C. - Chf 2,000,000 % held: 100%
Roger Vivier Macau Lda Macau S.C. - Mop 500,000 % held: 100%	TOD'S Washington Inc. Tumwater, Wa - U.S.A. S.C. - Usd 10,000 % held: 100%	Ala. Del. Inc. Wilmington, De - U.S.A. S.C. - Usd 10,000 % held: 100%	Tod's Massachussets Inc Boston, Ma - U.S.A. S.C. - Usd 10,000 % held: 100%
Roger Vivier Australia Sydney - Australia S.C. - Aud 100,000 % held: 100%	Roger Vivier Canada Ltd. Toronto - Canada S.C. - Cad 350,000 % held: 100%		

In connection with subsidiaries in which the Group does not own than 50% of the capital and thus disposes of the same percentage of voting power at the Shareholders' Meeting, the control it is assumed on the fact that the Group has: i) power over the investee ii) exposure, or right, to variable returns from its involvement with the investee and iii) the ability to use its power over

the investee to affect the amount of the investor's returns, in accordance with IFRS 10 Consolidated Financial Statements.

5. Segment reporting

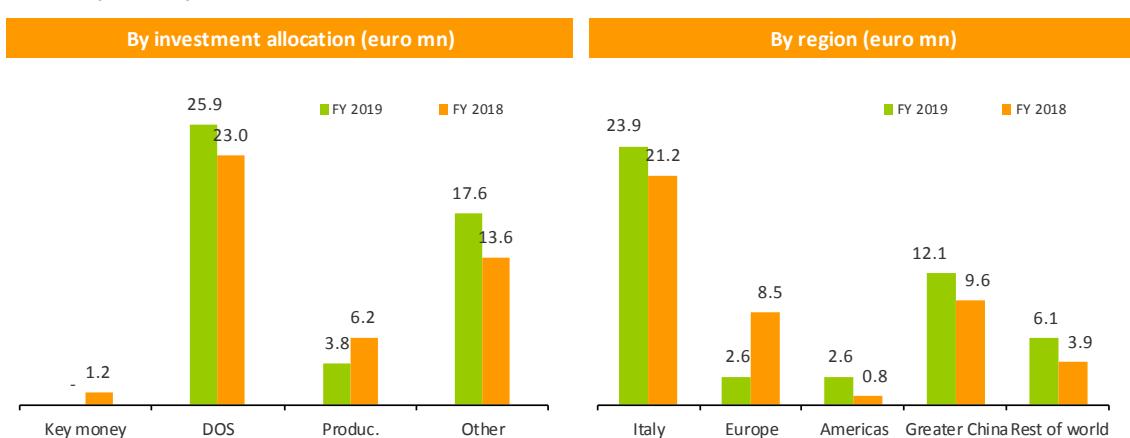
The search for higher levels of operating efficiency has identified as key element for maximising profitability via the sharing of a significant portion of service activities (first and foremost production), both at the central and peripheral levels; on the contrary, segmentation of the business appears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

In order to have a more detailed examination, the Report of the Board of Directors, to which reference is made, includes operating information, including a breakdown of consolidated revenues by BRAND, CHANNEL, PRODUCT and REGION. Below are provided some further details for completion.

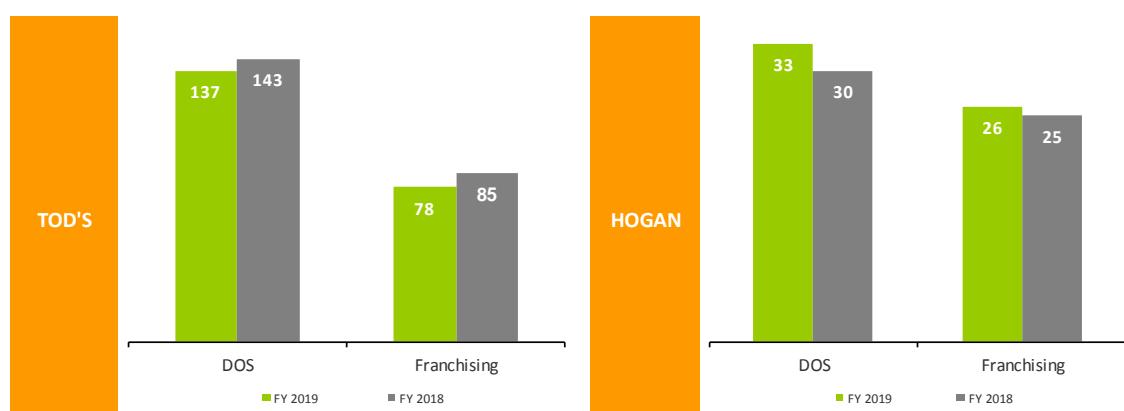
2019 Capital expenditures

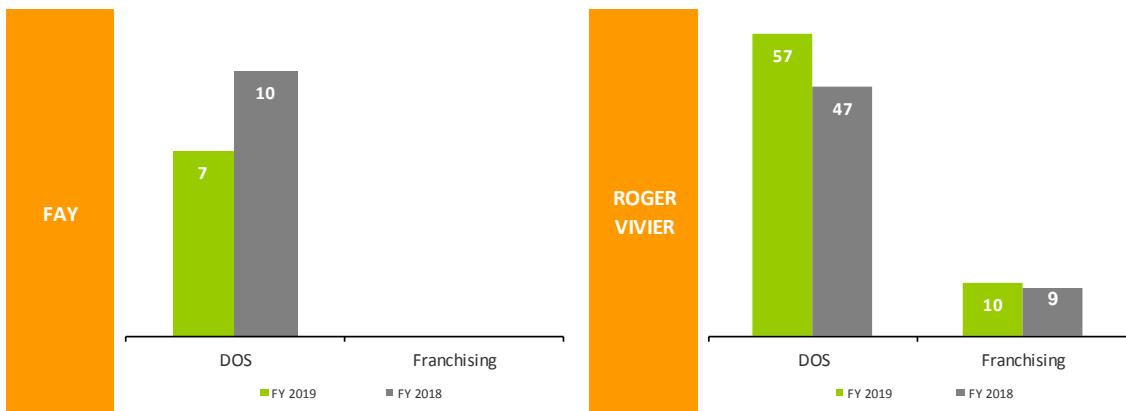


Distribution network

TOD'S Group - Distribution channel			Year 19	Year 18
Italy	DOS		46	46
	FRANCHISED STORES		2	2
Europe	DOS		55	61
	FRANCHISED STORES		22	21
Americas	DOS		24	22
	FRANCHISED STORES		5	4
Greater China	DOS		92	88
	FRANCHISED STORES		40	39
RoW	DOS		73	67
	FRANCHISED STORES		46	54
Total DOS			290	284
Total FRANCHISED STORES			115	120

The table below, which shows the breakdown of the distribution network by brand, doesn't include the DOS which sell products of more than one brand of the Group. It should be noted that, in order to compare the number of DOS with those of 2018, in the current period, 7 DOS were, for administrative purposes only, merged with others.





6. Management of financial risks (IFRS 7)

The TOD'S Group has implemented a system for monitoring its financial risks in accordance with the guidelines set out in the Corporate Governance Code of Listed Companies. As part of this policy, the Group constantly monitors the financial risks connected with its operations, in order to assess their potential negative impact and undertake appropriate action to mitigate them.

The following analysis of financial risks faced by the TOD'S Group highlights the Group's level of exposure. It also includes a sensitivity analysis designed to quantify the potential impact of hypothetical fluctuations in benchmark parameters on final results.

i. Credit risk

Credit risk represents the exposure of the TOD'S Group to potential losses stemming from failure to discharge its obligations towards trading counterparties. Sales revenues for 2019 resulting from wholesale distribution channel are 29.5% of total sales. The Group subjects these revenues to a hedging policy designed to streamline credit management and reduction in the associated risk. In particular, the Group's policy does not envisage granting credit to customers, with periodic analyses of the creditworthiness of all customers, both long-standing and potential ones, in order to monitor and prevent possible solvency crises.

The following table illustrates the ageing of trade receivables outstanding at December 31st, 2019 gross of allowance for doubtful accounts:

In euro 000's	Overdue					Total
	Current	0 > 60	60 > 120	Over		
From third parties	71,663	16,819	5,221	9,789		103,492

The prudent estimate of losses on the entire credit mass existing at December 31st, 2019 was 6.3 million euros. The total amount of overdue receivables at December 31st, 2019 for 31.8 million euros is now about 11 million euros.

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.

The table below shows the credit lines already used and available at December 31st, 2019 compared with December 31st, 2018:

Credit lines					Total
euro 000's	Cash Credit lines	Self-liquidating Credit lines	Financial Credit lines		
12.31.19					
Credit lines	80,393	104,696	450,000		635,089
Utilizations	(20,607)				(20,607)
Credit lines available as of 12.31.19	59,786	104,696	450,000		614,482
12.31.18					
Credit lines	66,965	151,320	450,000		668,285
Utilizations	(15,713)				(15,713)
Credit lines available as of 12.31.18	51,252	151,320	450,000		652,572

Furthermore, it should be noted that, TOD'S S.p.A., in order to borrow the liquid funds needed to meet any possible requirement connected with ordinary business activities and general corporate operations, entered into the following loan agreements, which are related to medium/long-term revolving credit facilities which have not been used at December 31st, 2019:

- i) Banco BPM S.p.A. signed on January 26th, 2018 for a maximum amount of 100 million euros with expiring date on January 26th, 2022;
- ii) Crédit Agricole Corporate and Investment Bank and Cassa di Risparmio di Parma e Piacenza S.p.A. (Crédit Agricole Group), signed on January 27th, 2016, and renewed on December 5th, 2018, for a maximum amount of 100 million euros, with expiring date on December 5th, 2021;

iii) Unicredit S.p.A., signed on November 9th 2016, and renewed on November 7th, 2018, for a maximum amount of 100 million euros, with expiring date on November 8th, 2021;
 iv) B.N.L. S.p.A., signed on November 28th 2016, and renewed on December 21st, 2018, for a maximum amount of 100 million euros, with expiring date on November 28th, 2021;
 v) Intesa Sanpaolo S.p.A. signed on December 21st, 2018 for a maximum amount of 50 million euros, with expiring date on December 31st, 2021.

The table below shows the maturity of the outstanding financial liabilities at December 31st, 2019 and 2018:

euro 000's	Within 1 year	Between 1 and 5 years	Beyond 5 years	Total
12.31.19				
Bank borrowings		84,023		84,023
Other non-current liabilities		8,527		8,527
Trade payables	137,191			137,191
Bank	112,130			112,130
Derivative financial instruments	2,385	225		2,610
Other current liabilities	1,156			1,156
Total	252,862	92,775		345,637
12.31.18				
Bank borrowings		77,804		77,804
Other non-current liabilities		8,869		8,869
Trade payables	148,989			148,989
Bank	188,715			188,715
Derivative financial instruments	3,170	672		3,842
Other current liabilities	2,587			2,587
Total	343,461	87,345		430,806

The maturity analysis of lease liabilities is reported below in the application of paragraph 39 and B11 of IFRS 7:

euro 000's	Within 1 year	Between 1 and 5 years	Beyond 5 years	Total
12.31.19				
Lease liabilities	94,879	229,238	114,963	439,080
Total	94,879	229,238	114,963	439,080

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.

Considering the Company capacity to generate cash and the available revolving credit facilities, it's reasonable to believe that liquidity risk is not significant.

Finally, as regards financial assets, 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

IFRS 7 includes in this category all risks that are directly or indirectly connected with the fluctuation in prices on physical and financial markets to which the company is exposed:

- exchange rate risk;
- interest rate risk;
- commodity risk, connected with the volatility of prices for the raw materials used in the production process.

The 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 following paragraphs analyse the individual risks, using sensitivity analysis as necessary to highlight the potential risk on final results stemming from hypothetical fluctuations in benchmark parameters. As envisaged by IFRS 7, these analyses are based on simplified scenarios applied to the final results for the periods referred to. By their very nature, they cannot be considered indicators of the actual effects of future changes in benchmark parameters of a different asset and liability structure and financial position different market conditions, nor can they reflect the interrelations and complexity of the reference markets.

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 in the 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 general objective of the risk management policy adopted by the Group involves minimizing the economic and transaction exchange risk realized through the conversion into euro of sales receipts in foreign currency, made during each season, net of reference costs, on the basis on an average exchange rate, in line with the relative exchange rate changes, together with the timely conversion into euro of present and future foreign currency cash flows (eg: bank loans, intercompany loans, etc.) based on interest rates market change.

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.

The Group defines commercial hedging activities for single season based on the progress of the sales budgeting process and costs in currencies other than the euro.

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;
- definition of hedging transactions and relative executions in the markets;
- 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. The breakdown of forward currency contracts (for sale and purchase) made by the Group is illustrated in Note 17.

The balance sheet accounts denominated in foreign currency were identified for the sensitivity analysis. In order to determine the potential impact on final results, the potential effects of fluctuations in the exchange rate for the euro against the principal currencies to which the Group is exposed were analysed. The following table illustrates the sensitivity to reasonably likely changes in exchange rates on pre-tax profit (due to changes in the value of current assets and liabilities denominated in foreign currency for expected transactions) and Group equity (due to changes in the fair value of foreign exchange risk hedge instruments on forecast transactions):

Euro		Impact on pre-tax profit 5% writedown of the foreign currency		Impact on pre-tax profit 5% revaluation of the foreign currency	
Currency	Country	FY 2019	FY 2018	FY 2019	FY 2018
CAD	Canada	(9,847.8)	(23,708.8)	10,884.4	26,204.4
CHF	Switzerland	49,952.0	18,489.6	(55,210.1)	(20,435.9)
GBP	UK	233,370.1	43,286.1	(257,935.3)	(47,842.5)
HKD	Hong Kong	(223,229.3)	(2,858.4)	246,727.1	3,159.3
JPY	Japan	(1,750,529.9)	(92,782.9)	1,934,796.2	102,549.5
KRW	South Korea	383.0	(443,720.2)	(423.3)	490,427.6
RMB	China	(214,815.1)	148,800.4	237,427.2	(164,463.6)
SGD	Singapore	(75,166.6)	(55,897.3)	83,078.8	61,781.2
USD	USA	(116,560.0)	(145,042.4)	128,829.4	160,310.0
Other	n.a.	(286,390.5)	(236,975.2)	316,536.8	261,920.0
Total		(2,392,833.9)	(790,409.0)	2,644,711.2	873,610.0

euro 000's	Revaluation / Writedown foreign currency	Impact on pre-tax profit	Impact on Shareholders' equity
FY 2019	5%	(2,392.8)	(6,237.0)
	-5%	2,644.7	6,893.5

The impact on equity showed in the previous table is mainly related to the cash flow hedge reserve gross of tax effects.

The analysis did not include assets, liabilities and future commercial flows that were hedged, since fluctuations in exchange rates impact income in an amount equal to what is recognised in the fair value of adopted hedging instruments.

Interest rate risk. The 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.

TOD'S S.p.A. has the following outstanding loans with variable interest rates:

- a syndicated loan signed with Mediobanca and Crédit Agricole, with variable interest rate equal to EURIBOR 3M + 55 basis points (Note 23);
- loan signed with B.N.L. S.p.A. (BNP Paribas Group) on December 21st, 2018, for 25 million euros. The reimbursements will be done in 16 quarterly instalments; the expiring date is December 21st, 2022; the interest rate agreed is equal to EURIBOR 3M +0.7% (Note 23);
- loan signed with Intesa SanPaolo S.p.A., on December 21st, 2018, for a maximum amount of 125 million euros. The reimbursements will be done in 6 half-year instalments; the expiring date is December 31st, 2021; the interest rate agreed is equal to EURIBOR 6M +0.7% (Note 23).

To hedge the risk of possible changes in the interest rates on the syndicated loan signed with Mediobanca and Crédit Agricole, two derivative contracts (interest rate swaps - IRS), have been signed, for a notional amount equal to the amount drawn for the loan. These derivatives protect the Company from the risk of a generalised rise in interest rates, swapping the variable rate on the loan for a contractually fixed rate (a quarterly rate of 0.748%).

In addition, a derivative contract (interest rate swap - IRS) was signed for a notional amount equal to the amount of the loan used (Note 17) in order to hedge the risk arising from any possible change in interest rates on the loan taken out with BNL S.p.A. (BNP Paribas Group). This derivative contract protects the Group from the risk of a generalised rise in interest rates, swapping the variable rate of reference on the loan for a contractually fixed rate (a quarterly rate of 0.7%).

Such hedging transactions have been recognised in accordance with cash flow hedge methodology provided by IFRS 9.

After noting the trend in financial markets and in related reference rates, in addition to the term of the loan taken out with Intesa SanPaolo S.p.A., the Group has considered that the interest rate risk on the latter loan can be regarded as not significant. It should be noted that the Group monitors interest rate risks on an ongoing basis, and, in case there could be an increase of risks from potential substantial effects arising under the loan agreement, the Group will put in place appropriate hedging instruments in accordance with the Group practice well-established over time.

The sensitivity analysis carried out on interest rates has shown in addition that a hypothetically unfavourable change of 10% in short-term interest rates applicable to the adjustable rate

financial liabilities existing at December 31st, 2019 would have a negative net pre-tax impact of about 18 thousand euros in additional expenses (FY 2018: 12 thousand euros).

6.1 Categories of measurement at fair value

In accordance with IFRS 13, the financial instruments carried at fair value have been classified according to a hierarchy of levels that reflects the materiality of the inputs used to estimate their fair value. The following levels have been defined:

Level 1 – quoted prices obtained on an active market for the measured assets or liabilities;

Level 2 – inputs other than the quoted prices indicated hereinabove, which are observable either directly (prices) or indirectly (derived from prices) on the market;

Level 3 – inputs that are not based on observable market data.

The tables below show the breakdown of financial assets and liabilities between each financial category, classified as requested by IFRS 9, and the fair value hierarchy level at December 31st, 2019 and 2018:

2019 euro 000's	Assets				Total	Level 1	Level 2	Level 3	Total
	Loans and receivables at amortized cost	Financial assets at FVOCI	Financial assets at FVPL	Hedge accounting					
Other non-current assets	18,811				18,811				
Total other non-current assets	18,811				18,811				
Trade receivables	97,170				97,170				
Derivative financial instruments			1,393	1,393		1,393		1,393	1,393
Bank	184,072				184,072				
Total other current assets	281,242		1,393	282,635		1,393		1,393	1,393

2019 euro 000's	Liabilities			Total	Level 1	Level 2	Level 3	Total
	Financial liabilities at amortized cost	Financial liabilities at fair value	Hedge accounting					
Bank borrowings	84,023			84,023				
Other non-current liabilities	8,527			8,527				
Derivative financial instruments		225	225		225		225	225
Total other non-current liabilities	92,550		225	92,775		225		225
Trade payables	137,191			137,191				
Bank	112,130			112,130				
Derivative financial instruments		2,385	2,385		2,385		2,385	2,385
Other current liabilities	1,156			1,156				
Total other current liabilities	250,477		2,385	252,862		2,385		2,385

2018 euro 000's	Assets				Total	Level 1	Level 2	Level 3	Total
	Loans and receivables at amortized cost	Financial assets at FVOCI	Financial assets at FVPL	Hedge accounting					
Other non-current assets	18,121				18,121				
Total other non-current assets	18,121				18,121				
Trade receivables	101,222				101,222				
Derivative financial instruments			1,998	1,998		1,998			1,998
Bank	191,268				191,268				
Total other current assets	292,490		1,998	294,488		1,998			1,998

2018 euro 000's	Liabilities				Total	Level 1	Level 2	Level 3	Total
	Financial liabilities at amortized cost	Financial liabilities at fair value	Hedge accounting						
Bank borrowings	77,804				77,804				
Other non-current liabilities	8,869				8,869				
Derivative financial instruments		672	672			672			672
Total other non-current liabilities	86,673	672	87,345			672			672
Trade payables	148,989				148,989				
Bank	188,715				188,715				
Derivative financial instruments		3,170	3,170			3,170			3,170
Other current liabilities	2,587				2,587				
Total other current liabilities	340,291	3,170	343,461			3,170			3,170

Note that during the year 2019 there have not been any transfers between fair value levels indicated by the IFRS 13.

In connection with the fair value of financial assets and liabilities measured at amortised cost, given their nature, does not differ significantly from their carrying amounts.

7. IFRS 16

On January 13th, 2016 the IASB (International Accounting Standards Board) published IFRS 16 Leases, which replaces IAS 17; this document was adopted by the European Union on November 9th, 2017.

IFRS 16 defines the principles for the recognition, measurement, reporting and disclosure of leases (contracts granting the right to use third-party assets) and requires lessees to account for all leases according to the method set out for finance leases under the previously applicable accounting standard IAS 17, thus actually eliminating the previous distinction between operating and finance leases.

The TOD'S Group adopted the new standard as from January 1st, 2019, adopting the modified retrospective approach; therefore, the comparative data have not been restated compared to those already published in the annual financial report at December 31st, 2018.

The application of IFRS 16 at January 1st, 2019 had a significant impact on the consolidated financial statements of the TOD'S Group as a result of the operations involving the retail distribution network, which represents the main part of the business. In fact, the TOD'S Group is the lessee under a series of lease agreements that have been analysed for the purposes of applying the new IFRS 16 and that mainly concern DOS retail outlets, warehouses, production facilities, offices and showrooms, company cars, machinery and office and electronic equipment. Leases of retail outlets represent the predominant category, accounting in fact for approximately 90% of total lease liabilities.

From the accounting point of view, the application of IFRS 16 has entailed the recognition of a right-of-use asset on the property covered by the leases and a liability for leased assets in relation to fixed instalments still to be paid. The right-of-use asset for leased property is initially measured at cost, and subsequently amortised over the term of the lease agreement set out within the scope of the analysis. The cost of right-of-use assets includes the value initially recognised for the lease liability, any initial direct costs incurred, the estimate of any possible restoration costs to be incurred at the end of the contract term and advance payments relating to the lease made as at the date of the first transition, net of lease incentives received. The lease liability is measured at the present value of fixed lease payments not yet made as at the date of transition, as discounted using the interest rate as defined below.

The liability for leased assets is subsequently increased by the interest that accrues on that liability and is decreased in correlation with lease payments.

The table below reports a summary of the effects of the application of the abovementioned standard on both the balance sheet and the income statement:

euro 000's	Effects of first application of IFRS 16 at 01.01.2019
Non current assets	
<i>Right of use assets</i>	
Right of use assets	447,973
Total right of use assets	447,973
Total non-current assets	447,973
Total assets	447,973
 Non-current liabilities	
Non-current lease liabilities	349,325
Provisions for risks	5,116
Total non-current liabilities	354,441
 Current liabilities	
Current lease liabilities	87,640
Others	5,892
Total current liabilities	93,532
Total liabilities	447,973

The main assumptions that have been adopted by the TOD'S Group for the purposes of the first-time adoption of IFRS 16 are summarised below:

- in adopting IFRS 16, the Group has made use of the exemption granted for short-term leases (i.e. contracts expiring within 12 months or less) and for lease agreements for which the underlying asset is a low-value asset. For these agreements for which the exemption has been used, the adoption IFRS 16 has not entailed the recognition of the financial liability of the lease and related right of use; therefore, the accounting entries have not recorded changes compared to the previous period;
- significant initial direct costs that showed a positive net carrying amount in the balance sheet as at the transition date, have been included in the measurement of the right of use at January 1st, 2019;

- the term of lease agreements, with particular reference to the exercise of renewal and early termination options, has been determined on the basis of information existing as at the transition date;
- the discount rate (IBR, Incremental Borrowing Rate) used for estimates related to discounting future lease payments, has been determined by taking account of the free-risk interest rates applicable in each country in which the TOD'S Group companies operate which are involved in applying IFRS 16, plus an average spread calculated taking account of the present cost of indebtedness of the Group companies. The weighted average IBR applied during transition was 3.47%;
- variable lease payments, which are not linked to an index or rate, but mainly depend on sales volumes, continue to be accounted for among costs for leases and rentals in the income statement.

In addition to the information provided above, it should be noted that:

- lease payments falling within the definition of "short-term leases" provided for in IFRS 16 amounted to 11.6 million euros at December 31st, 2019;
- lease payments related to those assets falling within the definition of "low value assets" provided for in IFRS 16 totalled 0.2 million euros at December 31st, 2019.

Lease payments relating to those agreements that provide for a variable rent and that were therefore not included in the measurement of the lease liability, totalled 34.7 million euros at December 31st, 2019.

For the sake of completeness of information, it should be noted that the Group is analysing the impact of the document issued by the IFRC in December 2019 (Lease Term and Useful Life of Leasehold Improvements - Agenda paper 4), applicable from January 1st, 2020, relating to the term of lease agreements that provide for renewal rights for an indefinite period of time until a notice of termination is given.

The table below summarises the reconciliation of liabilities for leased assets with the information on lease payments due provided in the 2018 financial statements:

euro mln	
Reconciliation	
Minimum payments due by the Group at 12.31.2018	496.4
Discounting of lease liability	(55.6)
Other effects	(3.9)
Lease liability at 01.01.2019	436.9

The other effects mainly relate to the various terms estimated in the disclosure of information provided in the 2018 financial statements with respect to the analysis carried out in the application of the new accounting standard IFRS 16.

8. Right of use assets

Right-of-use assets for leased property include the value initially recognised for lease liabilities (see Note 7), any initial direct costs incurred, the estimate of any restoration costs to be incurred at the end of the contract term and advance payments relating to the lease made as at the date of the first transition, net of lease incentives received.

The table below summarises the composition and changes of right-of-use assets at December 31st, 2019:

euro 000's	12.31.19	12.31.18
Leased buindings	442,753	
Leased machineries	498	
Leased office machines	1,856	
Leased cars	1,019	
Total	446,126	

euro 000's	12.31.19	12.31.18
Amounts at inception 01.01.2019	447,973	
Increases	85,925	
Decreases	(26)	
Impairment losses	(3,210)	
Amortization for the period	(105,269)	
Translation differences	6,817	
Other changes	13,916	
Total	446,126	

Other changes mainly related to the reclassification of goodwill with a finite useful life (which represents the amounts paid for this purpose by the Group to take over certain leases of commercial spaces where some DOS operate), made following the application of the new accounting standard IFRS 16 (since they are initial direct costs).

9. Intangible fixed assets

9.1 Intangible assets with undefined useful life. Assets with indefinite useful life amount to 565,934 thousand euros, and are constituted as follows:

euro 000's	12.31.19	12.31.18
Trademarks	553,649	553,649
Goodwill	12,285	12,285
Total	565,934	565,934

Trademarks. This item includes the values of the Group four own brands (TOD'S, HOGAN, FAY and ROGER VIVIER).

euro 000's	12.31.19	12.31.18
TOD'S	3,741	3,741
HOGAN	80,309	80,309
FAY	53,185	53,185
ROGER VIVIER	416,414	416,414
Total	553,649	553,649

Goodwill. They are related to acquisitions of controlled companies and they have been determined in accordance with the acquisition method (IFRS 3).

9.2 Key money and Other intangible assets with definite useful life

The following table details the movements of these assets in the current and previous fiscal year.

euro 000's	Other intangible assets					
	Key money	Other trademarks	Software	Other assets	Customer contracts	Total
Balance as of 01.01.18	14,427	3,572	7,335	9,550	1,187	21,644
Translation differences	(7)		3	(14)		(11)
Increases	1,174	454	4,817	3,165	597	9,033
Decreases			(8)	(9)		(17)
Impairment losses (Note 11)	(339)					
Other changes			283	1,661		1,944
Amortization for the period	(1,744)	(828)	(3,558)	(2,267)	(677)	(7,329)
Balance as of 12.31.18	13,510	3,199	8,872	12,086	1,107	25,264
Translation differences	111		6	11		17
Increases			659	4,801	2,700	176
Decreases			639	(1,012)		(373)
Impairment losses (Note 11)						
Other changes	(13,622)	20	1,565	(1,436)		150
Amortization for the period		(809)	(4,888)	(2,493)	(585)	(8,775)
Balance as of 12.31.19	3,069	10,995	9,857	698	24,619	

Other changes in Goodwill related to the reclassification of goodwill with a finite useful life relating to "key money" carried out following the application of the new accounting standard IFRS 16. This goodwill has been reclassified to Right-of-use assets (Note 8).

The increase of Other trademarks relates to long-term charges with a defined useful life incurred to protect the brands owned by the Group which are classified as assets with an undefined useful life.

The increase of Software mainly relates to resources designated by the parent company for the development of IT systems, among which those dedicated to the digital channel and its integration within the Group .

The increase recorded in Contract customers is mainly due to long-term investments made for the network of corners and franchising stores.

The item "Other assets" includes 5,234 thousand euros for the value of the intangible asset recognised in relation to the agreement made with the Ministry of Cultural Affairs ("Ministero per i Beni e le Attività Culturali") and the Special Archaeological Service of Rome ("Soprintendenza speciale per i beni archeologici di Roma"), with which the parent company has undertaken to finance the entire cost of restoration work on the Coliseum. The asset was formerly recognised in the balance sheet for an amount equal to the discounted value of the financial outlays that are reasonably foreseeable on the basis of the multi-year plan for restoration work available at the moment of the initial recognition, and amortised over the useful life determined according to the provisions of the agreement. The accrual for amortisation allocable to the financial year is about 0.9 million euros.

10. Tangible fixed assets

At December 31st, 2019 the net residual value of Group's tangible fixed assets was a 150.6 million euros (FY 2018: 203.9 million euros).

euro 000's	Land and buildings	Plant and machin.	Equip.	Leasehold improv.	Others	Total
Balance as of 01.01.18	109,966	13,124	10,800	34,259	32,783	200,932
Translation differences	3,761	32	47	470	449	4,760
Increases	1,151	1,694	6,195	11,327	13,413	33,779
Decreases	(5)	(68)	(55)	(127)	(469)	(725)
Impairment losses (Note 11)				(1,062)		(1,062)
Other changes			7	18	180	205
Amortization for the period	(2,285)	(2,613)	(5,495)	(11,017)	(12,587)	(33,998)
Balance as of 12.31.18	112,587	12,169	11,498	33,867	33,769	203,890
Translation differences	2,639	3	27	413	348	3,430
Increases	703	1,573	5,983	15,367	14,623	38,249
Decreases	(58,149)	5	(224)	(108)	(865)	(59,340)
Impairment losses (Note 11)						
Other changes	10	23		(555)	(6)	(527)
Amortization for the period	(2,257)	(2,688)	(5,339)	(11,755)	(13,074)	(35,113)
Balance as of 12.31.19	55,533	11,086	11,945	37,229	34,796	150,589

Land and Buildings mainly include the real estate assets consisting of the Parent Company's operating headquarters. The decreases for the period mainly relate to the sale of the Omotesando property located in Tokyo (Japan), which took place in October 2019.

The increase in the value of Land and Buildings and Plant and machinery mainly include the investments done for the corporate headquarter.

The increase in Equipment is due to the investments, made mainly by the parent company, in the framework of the normal processes of modernisation of industrial facilities and equipment (mainly lasts and moulds).

The increase in Leasehold Improvements and Others mainly consist of the costs incurred for fitting out DOS, among which note the setting-up of the new flagship TOD'S store located at Via Montenapoleone in Milan, and for the renovation activities of the existing stores. Depreciation from continuing use of the fixed assets during the year amount to 35.1 million euros, while no write-downs for impairment were recognised through profit and loss during the year (Note 11).

11. Impairment losses

The recoverability of the residual value of intangible assets with an indefinite useful life (brands and goodwill) was determined to ensure that assets with a value higher than the recoverable value were not recognised on the financial statements, which refers to their "value in use". The criterion used to determine "value in use" is based on the provisions of IAS 36, and is based on the current value of expected future cash flows (Discounted cash-flow analysis - DCF), which is

presumed to derive from the continual use and disposal of an asset at the end of its useful life, discounted at a net discounting rate that reflects current market rates for borrowing money and the specific risk associated with the individual cash generating unit.

In application of the method prescribed by IAS 36, the TOD'S Group has identified the cash generating units (CGU) that represent the smallest, identifiable group of assets that can generate cash flows and which are fully independent on the consolidated financial statements. The organisational structure and type of business was considered in determining the CGU. Therefore only one CGU has been identified at a Group level, and the net invested capital of the Group has been tested as a whole. This approach is based on the unified view of the business (also see Note 5 Segment reporting), organised as a matrix structure, which may be alternatively broken down by brand, product, channel and region, according to the different functions/activities on the value chain, where the transverse nature of many central and peripheral service activities (especially the Supply chain, Sales and distribution, Finance and administration, Legal, Human resources and Information technology), ensure maximisation of the levels of profitability.

The recoverability of the amounts recognised on the financial statements was verified by comparing the net book value of the net invested capital, which included right-of-use assets recognised in the application of IFRS 16 as from the 2019 financial year, with the recoverable value (value in use). The value in use is represented by the discounted value of future cash flows that are expected from continuous use of the assets associated with the cash generating unit and by the terminal value attributable to them.

The discounted cash flow analysis was carried out by using the FY 2020 budget as its basis. That budget was prepared and approved by the Board of Directors of the Parent Company TOD'S S.p.A. on January 30th, 2020, on the assumption that the Group would be a going concern for the foreseeable future. The Board of Directors first assessed the methods and assumptions used in developing the model. In particular:

- i. medium-term budget data are forecast over a time horizon of four additional years using a 5% mean sales growth rate, a constant EBITDA margin and a constant tax rate, equal to 25.7%, the latter being determined as the average tax rate of the countries in which the Group operates, weighted by sales. Assumptions regarding the medium-term sales growth rate are made on the basis of reasonable growth estimates which also take into account the growth trends in the luxury sector as a whole in the foreseeable future;
- ii. the Terminal value was determined as perpetuity, using, for future forecasts, a medium- to long-term growth rate of 3%, determined as an average between the mean rate of inflation expected in the long term (2024) for the countries in which the Group operates, on the basis of the estimates performed by the International Monetary Fund, and the expected average growth

rate in the sector, as inferred from a series of sector analyses.

iii. to determine the “value in use,” a WACC, net of tax effect, of 6.30% was used (the WACC rate used at December 31st, 2018 was 8.60%), determined according to the method set out in IAS 36, which, compared to the previous year, benefitted from a reduction in the free-risk rate, as a result of the present scenario of financial markets, as well as from a higher financial debt as a result of the recognition of financial lease liabilities (Note 7).

An expected overall cash flow figure higher than the total amount of net invested capital (cover) emerged from the analyses of the recoverability of the Group's intangible assets with an indefinite useful life (of which 553.6 million euros are made up of the owned trademarks and 12.3 million euros are made up of goodwill from business combination).

It should also be noted that, in carrying out the impairment test, the possible effects of the spread of the Covid-19 epidemic, which is affecting global markets, were not taken into account in the cash flows expected during the explicit period, since at present they are unpredictable, although certainly negative. However, it is believed that any possible adverse impact on cash flows in 2020 would be recoverable over a medium- to long-term period and, therefore, should not lead to appreciable effects on the conclusions of the test, since the latter are mainly influenced by the cash flows expected in the medium- to long-term period (perpetuity).

Moreover, the Group has in any case conducted the usual sensitivity analyses required by IAS 36, in order to reveal the effects produced on the “value in use” by a reasonable change in the basic assumptions (WACC, growth rates, EBITDA margin) and determination of the terminal value (disposal value of Group assets). From the sensitivity analysis conducted, it is pointed out that, in order to render the “value in use” equal to the book value of Group assets (the breakeven hypothesis), a change would be required in the following parameters, as considered individually and the other parameters remaining equal: *i*) an increase of 7.0% in WACC, *ii*) a growth rate “g” used in the terminal value, equal to 2% *iii*) a growth rate of 4% in the explicit period.

Furthermore, in accordance with IAS 36, an estimate has been made of the recoverable value of each Company-owned brand, intangible assets with an indefinite useful life. The recoverable value is calculated by using, in principle, a market valuation approach, consisting of the application of the royalties method and using the following prudential assumptions:

- i. the medium-term projection of budget data is made over a further period of four years using an average sales growth rate equal to zero;
- ii. the terminal value has been determined using the perpetual annuity method, using a medium/long-term growth rate of 3% for future projections, determined as stated above;
- iii. a WACC, net of tax effect, equal to 7.30% has been used (against a WACC rate used at December 31st, 2018, equal to 8.60%), as increased, therefore, by 1% in order to reflect the

riskiness of each stand-alone intangible asset with respect to the company as a whole.

Only with reference to the ROGER VIVIER brand, for uniformity and consistency with the estimation of the value to be attributed to the abovementioned balance sheet item upon acquisition, the medium-term projection of budget data is carried out over a further period of four years using an average sales growth rate consistent with the expected growth plans for the brand and, as an alternative method and as an addition to the analyses, the royalty method is integrated with income evaluation approaches; these have the objective of quantifying the contribution that the brand gives to the overall business profitability, on the basis of the business plan prepared for the foreseeable future, by discounting the income that can be directly or indirectly associated with the brand for a specific period of time.

The analysis carried out has not revealed any impairment since the net book value of each brand is within the range of values determined for the relative recoverable value.

In this case too, sensitivity analyses have been carried out in order to highlight the effects on the "value in use" caused by a reasonable change in the basic assumptions (WACC, growth rates, EBITDA margin). From the analysis carried out, it should be noted that, with reference to the FAY and ROGER VIVIER company-owned brands, changes would need to be made, in order to make their respective recoverable values equal to book values (break-even hypothesis), in the following parameters, as considered individually and the other parameters remaining equal: i) an increase in WACC of 10.2% and 7.9%, respectively, ii) a "g" rate used in the terminal value, negative for 0.8% and positive for 2.4%, respectively iii) a rate of change in the explicit period, negative for 13% and positive for 2.5%, respectively. With reference to the TOD'S and HOGAN brands, sensitivity analysis has shown that in order to determine a break even situation, changes in parameters should be considered which are completely unrealistic.

Finally, the Group conducted an analysis to assess the recoverability of right-of-use assets and tangible and intangible assets attributable to the individual directly operated stores (DOS), which have recorded impairment indicators. This analysis has shown impairment losses required for some DOS whose assets were therefore written down by a total of 3.2 million euros, fully attributable to rights of use (IFRS 16), as the recovery of their value by means of future cash flows is not reasonably foreseeable as matters stand.

In addition, it should be noted that the market capitalisation value of TOD'S S.p.A. at December 31st, 2019 was about 1,364 million euros, higher than the value of consolidated equity at the same date. On the other hand, the spread of the Covid-19 virus has had a very significant impact on financial markets, with a consequent decline in valuations. As a result, the Group's market capitalisation at the reporting date (March 30th, 2020) was 955.7 million euros. Given the extraordinary nature of this collapse in the main international financial markets, as well as the

results of the impairment test mentioned above, the management believes that this valuation is essentially temporary only and does not represent the actual value of the Group.

12. Investment property

This account refers to a property owned by the Group as a real estate investment and leased to third parties.

euro 000's	
Historic cost	115
Accumulated depreciation	(97)
Balance as of 01.01.19	18
Increases	
Decreases	
Depreciation for the period	(3)
Balance as of 12.31.19	15

No changes in the fair value of this investment, about 250 thousand euros, have been recognised since this previous financial year. This estimate is based on the market prices for similar properties in terms of location and condition.

13. Deferred tax assets and liabilities

At the reporting date, recognition of the effects of deferred tax assets, determined on the basis of temporary differences between the carrying amount of assets/liabilities and its tax base, lead to the following tax assets and liabilities:

euro 000's	12.31.19	12.31.18	Change
Deferred tax assets	51,913	56,151	(4,238)
Deferred tax liabilities	(39,047)	(47,740)	8,692
Net Balance	12,866	8,412	4,454

When determining future tax impact, reference was made to the presumed percentage weight of the taxes that will be imposed on income in the years when those taxes will be charged, according to current tax laws in the various countries involved and any changes in tax rates following currently known tax reforms, and that will be applicable starting next year. Following is

reported the composition of the amount of deferred tax assets and liabilities at year end, offset if applicable, highlighting items that mainly contributed to its determination:

euro 000's	12.31.19		12.31.18	
	Assets	Liabilities	Assets	Liabilities
Property plant and Equipment	1,671	2,009	1,006	4,732
Intangible fixed assets	626	62,166	1,062	55,067
Inventory	31,722	(14,779)	30,958	(13,443)
Derivative financial instruments	213	(1,135)	213	(45)
Cost deductible over several years	594	1,537	590	1,720
Reserve for employees	1,714	(560)	1,467	(283)
Provision for risks	76	(740)	146	(547)
Other	2,801	(1,337)	406	537
Fiscal losses to carry forward	12,495	(8,115)	20,303	
Total	51,913	39,047	56,151	47,740

Deferred tax assets, recognised on fiscal losses that can be carried forward pursuant to local tax laws, and not yet used by the Group at December 31st, 2019, totalled 20.6 million euros (FY 2018: 20.3 million euros). New deferred tax assets for 8.1 million euros were recognised in the 2019 financial statements for fiscal losses suffered in the current year that can be carried forward, while, during the year, deferred tax assets for 0.3 million euros have been used on previous years fiscal losses. Moreover, during the year, 7.8 million euros of deferred tax assets related to previous years fiscal losses have been written off as a consequence of the fact that the subsidiaries who suffered such losses consider no more probable the recoverability of such fiscal losses within the related expiring date. Not recognised deferred tax assets on previous years fiscal losses amount to 22.9 million euros, as a consequence of the fact that it is not probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

14. Other non-current assets

Other non-current assets mainly relate to security deposits paid to third parties by Group subsidiaries in connection with operating leases.

15. Inventories

They totalled 384,632 thousand euros at December 31st, 2019, and include:

euro 000's	12.31.19	12.31.18	Change
Raw materials	66,227	61,751	4,476
Semi-finished products	11,019	11,542	(523)
Finished products	369,719	345,316	24,402
Write-down	(62,333)	(56,441)	(5,892)
Total	384,632	362,168	22,464

Finished products include, for 1,999 thousand euros, the amount related to the right to recover of the products for returns to be received (*contract assets*).

The allowance for inventory write-downs reasonably reflects the technical and stylistic obsolescence of the Group's inventories at December 31st, 2019.

euro 000's	12.31.19	12.31.18
Opening balance	56,441	53,706
Increase	9,617	7,679
Utilization	(3,728)	(4,941)
Reversal		
Translation effects	3	(3)
Closing balance	62,333	56,441

16. Trade receivables and other current assets

16.1 Trade receivables they represent Group's exposure in consequence of its wholesale distribution activity.

euro 000's	12.31.19	12.31.18	Change
Trade receivables	103,492	108,006	(4,513)
Allowances for doubtful accounts	(6,322)	(6,784)	461
Net trade receivables	97,170	101,222	(4,052)

The allowances for doubtful accounts represent the reasonable estimate of impairment due to the expected losses arising from the risk of not being able to collect the trade receivables recognised on the financial statements. The amount accrued for FY 2019 totalled 709 thousand euros. The following schedule shows the changes during the year in the allowances for doubtful accounts:

euro 000's	12.31.19	12.31.18
Opening balance	6,784	6,546
Increases	709	812
Used during year	(1,171)	(574)
Closing balance	6,322	6,784

16.2 Tax receivables these total 12,954 thousand euros (FY 2018: 11,577 thousand euros) and are mainly comprised of receivables for income taxes claimed by the Group from the tax authorities of the countries where it operates.

16.3 Other current assets

euro 000's	12.31.19	12.31.18	Change
Deferred costs	7,571	17,026	(9,456)
Others	59,784	47,300	12,484
Total other current assets	67,355	64,326	3,029

The change in costs accruing in future financial periods is mainly attributable to the application of the new accounting standard IFRS 16.

The item "Others" mainly relates to receivables versus manufacturers for the raw materials sold in connection with manufacturing activities, receivables for credit cards, receivables for value added taxes and other receivables to be collected next year.

The increase compared to the previous year is mainly attributable to VAT credits.

17. Derivative financial instruments

The TOD'S Group, characterised by its major presence on international markets, is exposed to both exchange rate risk, mainly for revenues denominated in currencies other than the euro (see Note 6), and interest rate risk limited to its variable-rate debt instruments. In order to realise the objectives envisaged by the Risk Management policy, the Group enters in derivative contracts with primary banks for the hedging of the above mentioned risks; in particular, in connection with exchange rate risk, The Group entered in sell and/or buy foreign currency contracts (forward), while for the hedging of a variable interest rate risk, the Group entered in interest rate swaps agreements. 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 (Note 6). These risks are managed by the Group

through a monitoring activity of the foreign exchange rate trends related to outstanding or expected capital transactions and entering into forward contracts if they will have material contingent effects.

At the closing date of the financial statements, the notional amount of the currency forward agreements (sale and purchase) entered into by the Group are summarized as follows:

Currency 000's	Sales		Purchases	
	Notional in currency	Notional in euro	Notional in currency	Notional in euro
US dollar	65,200	58,038		
HK dollar	464,000	53,045		
Japanese yen	1,380,000	11,317	2,000,000	16,402
British pound	26,900	31,617		
Swiss franc	6,850	6,311		
Chinese renmimbi	629,800	80,532	800	102
Singapore dollar	6,500	4,302		
Euro	645	645	7,800	7,800
Canadian dollar	5,100	3,494		
Australian dollar	6,720	4,201		
Total	253,502		24,304	

All derivative contracts will expire during the year 2020.

Below is summarized the composition of the outstanding derivatives at December 31st, 2019 and 2018, with information related to carrying amounts, current and non-current, in connection with fair value and cash flow hedge reserve, the latter presented net of its related tax effects.

euro 000's	12.31.19			12.31.18		
	Assets	Liabilities	Hedging Reserve	Assets	Liabilities	Hedging Reserve
<i>Non-current</i>						
Interest rate swaps - cash flow hedges	225	(52)		672	(340)	
Forward foreign exchange contracts - cash flow hedges						
Forward foreign exchange contracts - fair value hedges						
Total non-current	225	(52)		672	(340)	
<i>Current</i>						
Interest rate swaps - cash flow hedges	706	(537)		1,015	(771)	
Forward foreign exchange contracts - cash flow hedges	758	917	2,802	1,484	660	2,845
Forward foreign exchange contracts - fair value hedges	635	762		514	1,495	
Total current	1,393	2,385	2,265	1,998	3,170	2,074
Total	1,393	2,610	2,214	1,998	3,842	1,734

Cash flow hedge reserve related to forward derivatives for the hedging of currency exchange rate risks includes even some intercompany transactions, positive for 1 thousand euros (261 thousand euros at December 31st, 2018), net of tax effects, accrued on intercompany transactions for which derivatives have been expired at December 31st, 2019, that will be transferred to the income statement when sales versus third customers or when forecast transactions will be realized.

Moreover, the transfer of the effect of the hedging transactions to the 2019 income statement was equal to 1,412 thousand euros, of which 1,334 thousand euros were represented as a decrease of revenues, 78 thousand euros as an increase of costs for raw materials and consumptions.

The overall effect recognised in the income statement in connection with derivatives for the hedging of interest rate risk amounted to 1,025 thousand euros, totally represented in the financial expenses.

18. Cash and cash equivalents

Cash and cash equivalents are related to cash and bank deposits for 184,072 million euros (191,268 million euros at December 31st, 2018). For further information see the statement of cash flow.

19. Assets held for sale

The Group did not have any held for sale assets at December 31st, 2019.

20. Equity

20.1 Share capital. At December 31st, 2019, the share capital of the Parent Company amounted to 66,187,078 euros, unchanged compared to the previous year, divided into 33,093,539 ordinary shares, all of which are of no par value, and fully subscribed and paid up; all shares have equal rights in terms of profit sharing. There are no categories of shares other than ordinary shares. Article 7 of the Articles of Association provides for increased voting in compliance with the provisions of Article 127-quinquies of the Consolidation Act on Finance (TUF, *Testo Unico della Finanza*). For further information, reference should be made to the Regulation on increased voting, which is available in the "Corporate Governance/Loyalty Shares" section of the Company's website www.todsgroup.com. The total amount of voting rights is regularly published by the Company in accordance with the terms and conditions of Article 85-bis of CONSOB Regulation no. 11971/1999.

At December 31st, 2019 Mr. Diego Della Valle, president of the Board of Directors, hold, directly and indirectly, 70.440% of TOD'S S.p.A. share capital. At December 31st, 2019 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 year.

20.2 Capital reserves. Capital reserves are exclusively related to share premium reserve, amounting to 416,588 thousand of euros unchanged in respect to the previous year.

20.3 Hedging and translation reserves. The following schedule illustrates the changes occurred in 2019 for the Group:

euro 000's	Translation Reserve	Hedging Reserve	Total
Balance as of 01.01.18	4,546	1,814	6,360
Increase in fair value of hedging derivatives		1,152	1,152
Exchange differences	5,069	8	5,077
Transfer to P&L Account of hedging derivatives		(1,241)	(1,241)
Others			
Balance as of 01.01.19	9,615	1,733	11,348
Increase in fair value of hedging derivatives		(1,287)	(1,287)
Exchange differences	3,612	4	3,616
Transfer to P&L Account of hedging derivatives		1,902	1,902
Others		(138)	(138)
Balance as of 12.31.19	13,227	2,214	15,441

For comments related to the changes of hedging reserve please see Note 17.

20.4 Other reserves and profit for the period. These reserves include the equity reserves of the parent company TOD'S S.p.A., the difference between the shareholders' equity of the subsidiaries, and the carrying values of the equity investments, as well as the effects of consolidation adjustments on Group equity.

euro 000's	Other reserves	Profit (loss) of the period	Total
Balance as of 01.01.18	521,796	71,007	592,803
Allocation of 2017 result	24,676	(24,676)	
Dividends		(46,331)	(46,331)
Profit for the period		47,146	47,146
Other changes	(22,591)		(22,591)
Balance as of 01.01.19	523,882	47,146	571,028
Allocation of 2018 result	14,052	(14,052)	
Dividends		(33,094)	(33,094)
Profit for the period		46,283	46,283
Other changes	(796)		(796)
Balance as of 12.31.19	537,138	46,283	583,421

Other changes for the year 2019 are mainly related to the use of the specific reserve for promoting territorial solidarity projects, for 465 thousand euros.

20.5 Dividends. In execution of a resolution by the Shareholders' Meeting of April 18th, 2019, the parent company TOD'S S.p.A. paid the shareholders dividends in May for the net income realised in 2018. The aggregate amount of the dividends paid is 33,093,539 euros, at the rate of 1.0 euros for each of the 33,093,539 shares representing the share capital at the coupon detachment date (May 20th, 2019).

21. Contingent and potential liabilities and assets

21.1 Provisions for risks. They include the estimate of liabilities, with uncertain maturity date or amount, on which the Group might incur in case of a legal or constructive obligation in connection with a past event. The figure mainly include provisions related to both legal and tax lawsuits, risks and costs for employees and reinstatement costs.

The following schedule illustrates the changes occurred:

euro 000's	12.31.19	12.31.18
Provisions for risks - non current		
Opening balance	5,476	5,385
Increase	92	437
Utilization	(195)	(337)
Reversal	(69)	
Translation effects	(29)	11
Other	6,256	(20)
Closing balance	11,530	5,476
Provisions for risks - current		
Opening balance	1,200	4,626
Increase	532	565
Utilization	(670)	(4,011)
Reversal		
Translation effects		
Other	103	20
Closing balance	1,166	1,200

Other changes recorded in the period relate to the restatement of estimated accruals of restoration costs, on lease agreements, made upon the first-time adoption of IFRS 16.

21.2 Contingent liabilities and other commitments.

- i. **Guarantees granted to third parties.** At December 31st, 2019 the Group had provided guarantees amounting to 4,511 thousand euros (5,589 thousand euros in 2018) against the contract commitments undertaken by some Group companies. The guarantees mainly consist of a surety of 2,551 thousand euros (3,629 thousand euros in 2018) issued against the commitment to finance the Coliseum restoration works, the financial liability of which has been recognised in full in the accounts (Notes 9 and 25).
- ii. **Guarantees received from third parties.** Guarantees received by the TOD'S Group from banks as security for contractual commitments totalled 24,217 thousand euros (22,849 thousand euros in 2018) at December 31st, 2019.
- iii. **Mortgages.** Group real estate has not been encumbered by mortgages.

22. Employee Benefits

22.1 Defined contribution plans. The Group has a defined contribution retirement plan (employee severance indemnities – TFR) in favor of employees at Group's Italian companies with more than 50 employees (see the following section in this regard) and the Japanese and Korean subsidiaries. At December 31st, 2019, the liability accrued *vis-à-vis* employees was 5,273 thousand euros (December 31st, 2018: 4,618 thousand euros), and relating only to the four Asian companies, since the amounts accrued in favour of Italian employees have all been transferred to funds outside the Group. The amount charged to profit and loss for the period totals 1,303 thousand euros.

22.2 Defined benefit plans. Following the statutory amendments introduced beginning January 1st, 2007, employee severance indemnities, a deferred payment plan in favor of all employees of the Group's Italian companies, were classified as a defined benefits plan (IAS 19) only for firms with less than 50 employees, for which the Group's obligation is not related with payment of the contributions accrued on the paid compensation, but extends until the end of the employment relationship, or, for companies with more than 50 employees, for the liability accrued until 2007⁽²⁰⁾. For these types of plans, the principle requires that the accrued amount be projected into the future in order to determine the amount to be paid upon termination of the employment

²⁰ The statutory amendment envisaged that for firms with more than 50 employees, the employee severance indemnities accrued from 1st January 2007 had to be allocated to supplemental retirement plans (pension funds) or, alternatively, to a Treasury Fund set up at the INPS (Italian National Social Security Institute). Since all obligations of firms towards their employees ceased starting on 1st January 2007, all accrued employee severance indemnities are covered by the rules governing defined contribution plans for the liability accrued from such date.

relationship, with an actuarial assessment that accounts for the rate of rotation of employees, expected evolution of compensation, and other factors.

The main actuarial assumptions used for the valuation are summarized below:

- Discounting rate: 0.77%

It is related to the average yield curve from IBOXX Eurozone Corporates AA of December 2019.

- Inflation rate: 1.20%;
- TFR incremental rate: 2.4%.

The table below shows the variation of the liability occurred in 2019:

euro 000's	Year 2019	Year 2018
Opening balance	8,718	9,014
Service costs	178	123
Interest costs	139	121
Benefits paid	(504)	(567)
Actuarial (gains)/losses	419	(250)
Other	276	
Closing balance	8,951	8,718

Employee benefits include even other long term employee benefits.

23. Financial liabilities

The Group's financial liabilities at December 31st, 2019 are broken down as follows:

euro 000's	12.31.19	12.31.18	Change
Current account overdraft	23,463	17,924	5,539
Financing and other financial liabilities- short term	88,668	170,792	(82,124)
Total financial liabilities short-term	112,130	188,715	(76,585)
Financing and other financial liabilities - long term	84,023	77,804	6,219
Total financial liabilities	196,154	266,520	(70,366)
Total Financing - and other financial liabilities (short/long term)	172,691	248,596	(75,904)

Financing and other financial liabilities. At December 31st, 2019 financing and other financial liabilities were represented by the following medium-long term position:

Currency 000's		Counterpart	Currency	Maturity	Res. Debt in	Res. Debt in
Type					currency	Euro
Medium and long term bank pool loan	Mediobanca - Crédit Agricole		Eur	2021	69,698	69,698
Medium and long term loan	Banca Nazionale del Lavoro S.p.A.		Eur	2022	18,752	18,752
Medium and long term loan	Intesa SanPaolo S.p.A.		Eur	2021	83,333	83,333
Total financing						171,783
Other financial liabilities			Inr	n.a.	72,795	908
Total financing and other financial liabilities						172,691

The medium and long term bank pool loan is related to the financing agreement signed on July 2014 by TOD'S S.p.A. and Mediobanca/Crédit Agricole. Such loan has a variable interest rate equal to EURIBOR 3M + 55 basis points which was hedged with two derivative contracts (interest rate swaps - IRSs) for the same notional amount and duration. The duration of such loan is 7 years from the signing date and it will be refunded quarterly.

The medium and long term loan with BNL S.p.A. (BNP Paribas Group) is related to a loan agreement signed on December 21st 2018 for an amount of 25 million euros with 16 quarterly reimbursements in arrears and the expiry date is December 21st 2022. Interests rate is equal to the EURIBOR 3m +0.7%.

The medium and long term loan with Intesa SanPaolo S.p.A. is related to a loan agreement signed on December 21st 2018 for an amount of 125 million euros with 6 biannual reimbursements in advance and the expiry date is December 21st 2021. Interests rate is equal to the EURIBOR 6m +0.7%.

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	Limit at 31 st December
Mediobanca/Crédit Agricole	Net financial liabilities/EBITDA	≤ 3.5
Banca Nazionale del Lavoro S.p.A.	Net financial liabilities/EBITDA	≤ 3.0
Intesa SanPaolo S.p.A.	Net financial liabilities/EBITDA	≤ 3.0

The parameters indicated above are constantly monitored by the Group, and all financial covenants are fulfilled at December 31st, 2019.

The following table illustrates the repayment schedule for the aggregate amount of loans, including the accrual for interests at the reporting date.

euro 000's	Medium and long term loan (BNL)	Medium and long term loan (Intesa)	Medium and long term pool loan (Mediobanca/Credit Agricole)	Total
2020	6,250	41,667	40,000	87,917
2021	6,250	41,667	30,000	77,917
2022	6,250			6,250
2023				
Over 5 years				
Total	18,750	83,333	70,000	172,083
Accruals and amortized cost	2		(302)	(300)
Total	18,752	83,333	69,698	171,783

The breakdown by currency of the balance of total financial liabilities (bank overdrafts and financing) at the reporting date is as follows:

Financial liabilities by currency	12.31.19	
Currency 000's	Local Currency	Euro
Jpy	2,853,424	23,400
Eur	63	63
Total bank overdrafts		23,463
Eur	171,783	171,783
Inr	72,795	908
Total financing and financial liabilities		172,691
Total financial liabilities		196,154

Financial liabilities by currency	12.31.18	
Currency 000's	Local Currency	Euro
Jpy	2,255,619	17,924
Total bank overdrafts		17,924
Jpy	1,270,778	10,098
Eur	237,681	237,681
Inr	65,138	817
Total financing and financial liabilities		248,596
Total financial liabilities		266,520

For interest rate sensitivity analysis (IFRS 7), and the disclosure for the further credit facilities and financing agreements available for the Group but not used yet at December 31st, 2019 see Note 6.

24. Lease liabilities

Lease liabilities totalled 439.1 thousand euros at December 31st, 2019 and were recognised at the present value of fixed lease payments not yet made, as discounted using the incremental borrowing rate as stated in Note 7.

The table below summarises the changes in the nominal value of the lease liability, which does not include accrued interest:

euro 000's	12.31.19	12.31.18
Amounts at inception 01.01.2019	436,965	
Increases	86,568	
Payments	(91,645)	
Translation differences	5,456	
Other changes	(41)	
Total	437,303	

Accrued interest amounted to 1,777 thousand euros at December 31st, 2019.

25. Other non-current liabilities

The balance for this item, 13,779 thousand euros, refers mainly to the liability recognised in relation to the agreement made for financing of restoration work on the Coliseum (Note 9) for 8,527 thousand euros (8,869 thousand euros at December 31st, 2018). This liability was recognised at the discounted value of the financial outlays that are reasonably foreseeable on the basis of the multi-year plan for restoration work.

26. Trade payables and other current liabilities

euro 000's	12.31.19	12.31.18	Change
Trade payables	137,191	148,989	(11,797)
Tax payables	22,869	5,851	17,018
Other liabilities			
Payables due to employees	13,213	13,157	57
Social security institutions	7,796	7,392	404
Other	24,399	23,301	1,098
Total other liabilities	45,409	43,850	1,559

The payables to employees consist of amounts accrued in favour of employees (including the portion of unused holiday leave) and not paid at the reporting date.

“Other” mainly includes advances from customers, the current portion of the returns estimates at the end of the year and the liability recognised in connection with the financing of restoration works for Coliseum, deferred revenues and other current liabilities.

27. Revenues

The group's revenues from sales amounted to 916 million euros in 2019 (940.5 million euros in 2018), down by 2.6% compared to the previous year.

For further details related to consolidated revenues see the comments provided in the Report on the performance of operations.

Other revenues amounted to 108.6 million euros (10.9 million euros in 2018) and mainly include, in addition to royalties income and insurance refunds, the capital gain realised on the sale of the Omotesando property in Tokyo (Japan), which took place in October 2019 for a total of 97.5 million euros.

28. Personnel costs

The personnel costs incurred by the Group in FY 2019 as compared with those for FY 2018 are illustrated as follows:

euro 000's	Year 2019	Year 2018	Change	% on sales	
				2019	2018
Wages and salaries	165,281	154,082	11,199	18.0	16.4
Social security contributions	41,724	38,023	3,701	4.6	4.0
Employee sev. Indem. (service cost)	6,879	6,263	616	0.8	0.7
Total	213,884	198,368	15,516	23.4	21.1

The following table illustrates the breakdown of Group's employees by category:

	12.31.19	12.31.18	Average 19	Average 18
Executives	58	57	57	53
White-collar Employees	3,460	3,288	3,378	3,245
Blue-collar Employees	1,297	1,360	1,351	1,374
Total	4,815	4,705	4,786	4,672

29. Financial income and expenses

The breakdown of financial income and expenses in fiscal 2019 is as follows:

euro 000's	Year 19	Year 18	Change
Income			
Interest income on current account	401	460	(59)
Foreign exchange gains	21,416	21,319	97
Other	38	39	(1)
Total income	21,855	21,818	38
Expenses			
Interest on medium-long term financing	(1,186)	(921)	(265)
Interest on short term borrowings	(214)	(371)	156
Interest expenses on leases	(14,909)		(14,909)
Foreign exchange losses	(27,083)	(23,867)	(3,215)
Other	(2,553)	(2,668)	115
Total expenses	(45,945)	(27,827)	(18,118)
Total net income and expenses	(24,090)	(6,009)	(18,081)

Financial expenses include interest expenses relating to the discounting-back of liabilities for leased assets in accordance with IFRS 16.

30. Income or losses from equity investments

For the year 2019 no income or losses from equity investments occurred.

31. Income taxes

Tax expenses allocable to FY 2019, including deferred taxes, totalled 31.3 million euros, and are broken down into current and deferred taxes as follows:

euro 000's	Year 19	Year 18
Current taxes	30,278	13,049
Deferred taxes	1,034	6,244
Total	31,312	19,293
Tax rate	(40.7%)	(29.3%)

The parent company's theoretical tax rate for FY 2019 was 24%.

The following schedule reconciles theoretical taxes, calculated by using the theoretical tax rate of the parent company, and the taxes actually charged to income:

euro mn	Taxes	Rate %
Theoretical income taxes at the rate of parent company	18.5	24.0
IRAP effect	0.2	0.3
Previous year taxes	6.6	8.6
Permanent differences	3.3	4.3
Patent box tax effect	(2.7)	(3.6)
Effect connected with the different rates of the foreign subsidiaries	5.4	7.0
Effective income taxes	31.3	40.7

Previous year taxes mainly include the prudent write off, for 7.8 million euros, of deferred tax assets on fiscal losses previously recognized by some Group subsidiaries. The effects of the various rates of the foreign subsidiaries are mainly attributable to the taxes recognised on the income from the sale of the Omotesando property, which has a higher tax rate than the Parent Company's theoretical tax rate.

32. Earnings per share

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

i. Reference Profit

euro 000's	Year 19	Year 18
For continuing and discontinued operations		
Profit used to determine basic earning per share	46,283	47,146
Profit used to determine diluted earning per share	46,283	47,146

euro 000's	Year 19	Year 18
For continuing operations		
Profit for the year	46,283	47,146
Income (Loss) from discontinued operations		
Profit used to determine basic earning per share	46,283	47,146
Dilution effects		
Profit used to determine diluted earning per share	46,283	47,146

In both fiscal 2019 and 2018, 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

	Year 19	Year 18
Weighted average number of shares to determine basic earning per share	33,093,539	33,093,539
Share Options		
Weighted average number of shares to determine diluted earning per share	33,093,539	33,093,539

iii. **Base earnings per share.** Calculation of the base earning per share for fiscal year 2019 is based on the net profit attributable to holders of ordinary shares of the parent company TOD'S S.p.A., totalling 46,283 thousand euros (47,146 thousand euros in 2018), and on the average number of ordinary shares outstanding during the same period, totalling 33,093,539 unchanged in respect to 2018.

iv. **Diluted earnings per share.** Calculation of the diluted earnings per share for the period January-December 2019 coincides with calculation of earnings per share, due to the fact that there are no items which produce dilution effects.

33. Transaction 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 12th 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.

Most significant transactions concluded during the period

During the 2019 financial year, the Group did not enter into related-party transactions which were of greater significance or which had a significant impact on the Group's financial position or result for the year, nor were there any changes or developments in the transactions described in the 2018 Annual Report which had the same effects.

However, it should be noted that, during 2019, the following merger transactions were carried out, which however can be described as related-party transactions:

- Merger by incorporation of Del.Com. S.r.l., wholly owned by TOD'S S.p.A., which took place by a deed dated December 23rd, 2019 and which became effective from December 31st, 2019. For accounting and tax purposes, the effects of the abovementioned merger were charged to the merging company's financial statements as from January 1st, 2019;
- Merger by incorporation of Italiantouch S.r.l., wholly owned by TOD'S S.p.A., which took place by a deed dated November 19th, 2019 and which became effective from December 31st, 2019. For accounting and tax purposes, the effects of the abovementioned merger were charged to the merging company's financial statements as from January 1st, 2019;
- Cross-border merger by incorporation of Holpaf B.V., a Dutch company that is wholly owned by TOD'S S.p.A., which took place by a deed dated December 9th, 2019. For accounting and tax purposes, the effects of the abovementioned merger were charged to the merging company's financial statements as from the date of registration of the abovementioned deed of merger with the register of companies, i.e. from December 9th, 2019.

Although the three mergers constitute transactions with "related parties" in accordance with law, they are exonerated from applying the related procedure adopted by the Company according to art. 9.1.a) thereof, since the Issuer put them in hand with wholly-owned subsidiaries without there being any other related parties having any significant interest in the transactions.

These transactions are then described as transactions of "minor significance" according to art. 7 of the Regulation on Related-Party Transactions and art. 4 of the Procedure on related Parties Transactions.

Related party transactions at December 31st, 2019

Further to the information quoted above, TOD'S Group continued to maintain a series of contractual relationship with related parties (directors/controlling or significant shareholders) in 2019. The principal object of the transactions of the year was the sale of products, lease of sales spaces, show rooms and offices and the provision of advertising services.

ii. Commercial transactions with related parties – Revenues

euro 000's	Sales of products	Rendering of services	Royalties	Operating lease	Other operations
Year 2019					
Parent Company (*)	53	12		5	95
Directors					
Exec. with strat. respons.					
Total	53	12	-	5	95
Year 2018					
Parent Company (*)	14,929	38		5	
Directors					
Exec. with strat. respons.					
Total	14,929	38	-	5	-

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

iii. Commercial transactions with related parties – Costs

euro 000's	Purchases of products	Rendering of services	Royalties	Operating lease	Other operations
Year 2019					
Parent Company (*)	208			6,463	10
Directors					
Exec. with strat. respons.					
Total	-	208	-	6,463	10
Year 2018					
Parent Company (*)	271	427		5,350	9
Directors					
Exec. with strat. respons.					
Total	271	427	-	5,350	9

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

iii. Commercial transactions with related parties – Receivables and payables

euro 000's	12.31.19				12.31.18			
	Asset		Liabilities		Asset		Liabilities	
	Right of use	Trade Receivables	Leasing liability	Trade Payables	Right of use	Trade Receivables	Leasing liability	Trade Payables
Parent Company (*)	20,159	2	20,472	98		4		124
Total	20,159	2	20,472	98	-	4	-	124

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

Due to the fact that the above mentioned amounts are not significant, the disclosure hasn't been provided separately in the face of the financial statements in accordance with CONSOB resolution n. 155519 of July 27th, 2006.

The figure Intangible assets with indefinite useful life, for 415 million euros, include the amount of ROGER VIVIER brand acquired on January 2016 through a related party transaction with Gousson Consultadaria e Marketing S.r.l., a company owned by the President of the board of directors Mr. Diego Della Valle.

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

Compensation of Directors, Statutory Auditors, and General Managers

The following table illustrates the compensation accrued in the year 2019 by each of the Directors, Statutory Auditors, Executives with Strategic Responsibilities of TOD'S S.p.A. (including for the activities that they performed at subsidiaries) for any reason and in any form:

euro 000's	Compensation for office	Compensat. for part. in Commit.	Non cash benefits	Bonus and other incentives	Compens. as employ. compens.	Other
Directors						
Diego Della Valle (*)	1,838.8	10.4				
Andrea Della Valle (**)	1,238.5	10.1				
Luigi Abete	38.5	9.4				
Maurizio Boscarato	38.8	10.8			220.0 ⁽²⁾	
Marilù Capparelli	38.5					
Sveva Dalmasso	38.8	19.4				
Emanuele Della Valle	36.0					
Gabriele Del Torchio	38.1					
Romina Guglielmetti	38.8	20.8			10.8 ⁽⁴⁾	
Umberto Macchi di Cellere (***)	243.5	10.4	4.0	70.0	750.0	⁽¹⁾
Emilio Macellari (****)	253.8	10.4		565.6	480.0	⁽²⁾
Vincenzo Manes	38.5	30.2				
Cinzia Oglia	38.8		2.9	30.3	162.0	
Emanuela Prandelli	38.8					
Pierfrancesco Saviotti	38.8					
Total	3,997.0	131.9	6.9	665.9	912.0	710.8
Statutory Auditors						
Giulia Pusterla (*****)	90.0					
Enrico Colombo	60.0				62.7 ⁽³⁾⁽⁴⁾	
Fabrizio Redaelli	60.0					
Total	210.0				62.7	
Executives with strategic responsibilities (*****)		10.4	3.0	134.5	1,111.4	15.0 ⁽¹⁾
Legend						
(*)	Chairman of Board of Directors	(1) Director of subsidiary				
(**)	Vice Chairman of Board of Directors	(2) Consultant TOD'S S.p.A.				

(***)	Chief Executive Officer	(³) Statutory Auditor of subsidiary
(****)	Member of Executive Committee	(⁴) Member of Compliance Program Supervisory Board
(*****)	Chairman of the Statutory Board	
(******)	Includes General Directors salaries limited to compensation for the employment relationship.	

No severance indemnity is provided for Directors and Executives with Strategic Responsibilities.

34. Events and significant non-recurring transactions

Pursuant to Consob Communication No. DEM/6064293 of July 28th, 2006, the Group carried out the following non-recurring significant transaction during the year: as part of the ongoing monitoring of its distribution network, the Group, following the decision to move the TOD'S brand flagship store in Tokyo (Japan) from Omotesando to another area of the city with greater traffic, seized the opportunity to sell the Omotesando property at a time when the Japanese real estate market was at its all-time high.

Therefore, it should be noted that on October 30th, 2019, Holpaf BV, a wholly-owned subsidiary of TOD'S S.p.A., signed the closing confirmation memorandum, which resulted in the sale of the aforesaid property at a price of 156 million euros, before statutory taxes and withholdings.

The net book value of the property sold was 57.7 million euros at the EUR/JPY exchange rate prevailing at October 30th, 2019.

The difference between this selling price and the net book value of the property gave rise to a capital gain recognised in 2019 for approximately 97.5 million euros.

35. 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 year.

36. Information in accordance with the Law n. 124/2017

During the year the Group received subsidies, grants, and, anyway, economic advantages in accordance with the Law 124/2017 art. 1, subsection 125, for a total amount of 565,712. The following table summarizes the data related to both the lenders, amount received and a brief description of the reasons why the benefit was achieved.

euro Beneficiary company	Lender	Allowance received	Reason
TOD'S S.p.A.	Fondirigenti - Fondo interprofessionale	12,000	Allowances for training of executives
TOD'S S.p.A.	Regione Marche	331,127	Allowances to companies for recruiting and training of employees
TOD'S S.p.A.	INPS - Istituto Nazionale Previdenza Sociale	5,705	Incentives for hiring employees with specific requisites
TOD'S S.p.A.	GSE - Gestore dei servizi energetici	216,879	Contribution for the development of electricity from renewable sources
Total		565,712	

For the purposes of the abovementioned requirements, in relation to any other grants received that fall within the cases provided for, reference should be also made to the appropriate national Register that can be consulted publicly.

It is highlighted that the benefits have been summarized in accordance with the cash principle and, as a consequence, the table above shows subsidies, grants, and, anyway, economic advantages which have been collected during the year 2019, without taking into consideration the accrual basis.

37. Significant events occurred after the end of the year

After the end of the financial year a new virus named SARS-CoV-2 generated a pathology referred to as Covid-19. The phenomenon was initially observed in mainland China and, at the moment, is infecting hundreds of thousands of people around the world, progressively significantly affecting Italy too. In considering the protection of the health and safety of its employees as one of its priorities, the Group has adopted since the beginning a prudent approach to the prevention and containment of the epidemic at all its sites. In particular, the Group voluntarily ordered the closure of its production facilities as early as from March 12th, 2020, which then continued and is still ongoing, in line with the extraordinary measures adopted by the Italian Government to contain the current pandemic. Again as a result of this epidemic, a number of the Group's DOSS are currently closed in many parts of the world in order to contain the spread of the virus, and in compliance with the directives issued by the Governments of the countries in which the Group operates. In view of the evolution of this contagion around the world and the enormous uncertainties as to the effects of this type of virus, both in terms of duration and possible development, at this moment it is not possible to determine the probable extent of the economic and social effects on international markets; the only certainty is that these effects will be conspicuously unfavourable. As of the reporting date of this document, therefore, we cannot predict their impacts on the Group's results for the current year. Nevertheless, impairment tests have not brought any issues to light as regards the measurement of the items in the financial statements.

TOD'S Group

Group
Independent auditor's report

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of
TOD'S SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of TOD'S SpA and its subsidiaries (hereinafter also "TOD'S Group"), which comprise the consolidated statement of financial position as of 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the TOD'S Group as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of TOD'S SpA (hereinafter also the "Company" or the "Parent Company") pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	Auditing procedures performed in response to key audit matters
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Allowance for inventory write-downs

(See note no. 15 to the consolidated financial statements)

Final inventories of raw materials, semi-finished and finished products, amounting to Euro 384.6 million at 31 December 2019, are carried net of an allowance for inventory write-downs of Euro 62.3 million, which is about 13.9 per cent of the value of final inventories.

The allowance for inventory write-downs is estimated centrally by the Parent Company's management with reference to raw materials on the basis of their possibility of use within the production process and as regards finished products based on the ageing of the collections in stock and their foreseeable usage through TOD'S Group distribution channels.

We focused on the allowance for inventory write-downs taking account of its relevance in absolute terms and the complexity of the estimates performed by TOD'S management to evaluate it.

We obtained the calculation of the consolidated allowance for inventory write-downs prepared by TOD'S management and we verified its mathematical accuracy.

In relation to raw materials, we evaluated the adequacy of the allowance by checking the adequacy of the write-down percentages used by the Parent Company that we compared for consistency with those of the previous years, with historical data and with products scrapped in the year, as well as by performing analysis targeted on no or slow - moving raw material categories.

With reference to finished products we evaluated the adequacy of the allowance by verifying the adequacy of the write-down percentages used by the Parent Company on unsold items referred to one season/collection, checking the consistency of these percentages with the previous years, analysing the historical sale trend of non-current collections over the TOD'S Group distribution channels and products shredded in the year, as well as by verifying the adequacy throughout the years of the amount of the inventory write-down allowance initially accrued in relation to each season/collection.

In order to ascertain whether additional write-downs needed to be made, we also carried out analyses on the sales with negative margins, if any, realised in the subsequent year.

Finally our controls included the analysis of the notes to the consolidated financial statements in order to verify that adequacy and completeness of the disclosure therein.

Key Audit Matters	Auditing procedures performed in response to key audit matters
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Recoverability of the value of assets with indefinite useful life – Trademarks

(See notes no. 9.1 and 11 to the consolidated financial statements)

The item “assets with indefinite useful life” as of 31 December 2018 included trademarks for a total value of Euro 553,649 thousand, subdivided into the Roger Vivier brand for Euro 416.4 million, the Hogan brand for Euro 80.3 million, the Fay brand for Euro 53.1 million and the TOD’S brand for Euro 3.7 million. The item has not changed during 2019 and it represents about 27.6% of consolidated assets.

Such brands were recognised at purchase cost and are not amortised since they are considered with an indefinite useful life. Accordingly, tests are performed at least once a year on each brand recognised, in order to verify if their recoverable amount, determined as the higher between the market value less costs to sell and the value in use, is higher than its carrying amount (*impairment test*).

Specifically, in accordance with the applicable accounting standards and with the impairment test procedure approved by the Board of Directors on 4 March 2020, the Company compared the book value of the abovementioned brands at 31 December 2019 with their recoverable value determined applying the same valuation methods described in paragraph 11 “Impairment losses”.

We focused our attention on the brands on their whole considering their significant amount, the complexity of the valuation process which requires a high degree of professional judgement, especially in estimating the expected cash flows and in determining the discount and growth rates used in the valuation process.

We obtained the impairment tests of the Roger Vivier, Hogan, Fay and TOD’S brands performed by the management and the related supporting documentation.

We performed an understanding of the valuation procedure of the impairment loss, if any, adopted by the management and approved by the Company’s Board of Directors.

We verified the reasonableness of the 2020 budget data and the additional economic projections for the explicit period of the impairment test, as well as the reasonableness of the underlying key assumptions. In particular, we focused our attention on the reasonability of the future projections checking their consistency with the historical and sector growth trend, also through the involvement of the PwC network valuation experts.

Moreover, we verified, with the support of the PwC network valuation experts, the consistency of the impairment models adopted by the Company with the standard valuation practice, as well as the adequacy of the key assumptions used by the Directors and the accuracy of the calculations.

Finally, our controls also covered the notes to the consolidated financial statements in order to verify the accuracy and completeness of the disclosures therein.

Key Audit Matters	Auditing procedures performed in response to key audit matters
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Entry into effect of the new accounting standard IFRS 16 - Leases

(See notes no. 7, 8 and 24 to the consolidated financial statements)

On 1 January 2019 the new international accounting standard IFRS 16 - *Leases* –, related to the recognition of lease agreements, became effective.

Regarding lease agreements, from the lessee perspective, the new standard provides to recognise, except for some limited exemptions, the acquired right of use under non-current assets and the corresponding financial lease liabilities represented by the current value of future lease payments.

The right of use is amortised under the income statement over the entire duration of the lease. The financial liability is repaid, together with the financial charges, through lease payments.

As of 31 December 2019, the total amount of the acquired rights of use and of the related financial liability, recognised in application of IFRS 16, amount to Euro 446.1 million and Euro 439.1 million respectively. Amortisation and financial charges for the year were equal to Euro 105.3 million and Euro 14.9 million respectively.

The recognition of lease agreements by lessees in accordance with IFRS16 represented a key audit matter, considering the significance of the amounts on the consolidated financial statements due to the fact that operating activity linked to the retail distribution network is a significant part of the TOD'S Group business, as well as the degree of professional judgement of the management in expressing the assumptions related to the methods of adoption of the new accounting standard.

We performed an understanding of the internal control system supervising the management of lease agreements from the lessee perspective.

We performed an understanding and valuation of the reasonability of the accounting policies and assumptions used by TOD'S Group in the recognition process of the lease agreements as a lessee in accordance with IFRS16.

We carried out compliance procedures on the management process of the lease agreement portfolio, aimed at verifying the information flow processed by the accounting systems and the key variables used by TOD'S Group to recognize and measure the financial statement items affected by the application of the new standard.

We performed tests of detail, on a sample basis, of the key elements of the lease agreements and of the main assumptions, with particular reference to the definition of the lease duration, the effect of renewal options, if any, and the discounting rate of the liability, used by the Group to recognize and measure the financial statement items, with the related supporting documentation.

We verified the accuracy and completeness of the disclosure provided in the notes to the financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing TOD'S Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the Directors use the going concern basis of accounting unless they either intend to liquidate TOD'S SpA or to cease operations, or have no realistic alternative but to do so.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, TOD'S Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TOD'S Group's internal control;

- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- We concluded on the appropriateness of the Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on TOD'S Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause TOD'S Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within TOD'S Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of TOD'S Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 19 April 2012, the shareholders of TOD'S SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2012 to 31 December 2020.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The Directors of TOD'S SpA are responsible for preparing a report on operations and a report on corporate governance and ownership structure of the TOD'S Group as of 31 December 2019, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the TOD'S Group as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of TOD'S Group as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The Directors of TOD'S SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the Directors approved the non-financial statement.



Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Ancona, 14 April 2020

PricewaterhouseCoopers SpA

Signed by

Nicola Madureri
(Partner)

This report has been translated into English from the original, which was issued in Italian language, solely for the convenience of international readers.

TOD'S s.p.a.

TOD'S S.p.A.

Annual Report **as of December 31st, 2019**

s.p.a.

TOD'S s.p.a.

Financial Statements

s.p.a.

Income statement

euro 000's	Notes	Year 19	Year 18
Revenues			
Sales revenues (1)	25	606,834	636,863
Other income	25	6,997	6,196
Total revenues and income		613,831	643,059
Operating costs			
Change in inventories of work in progress and finished goods		3,026	42,084
Cost of raw materials, supplies and material for consumption		(223,267)	(250,682)
Costs for services		(191,990)	(193,228)
Costs of use of third party assets		(25,533)	(27,484)
Personnel costs	26	(107,088)	(88,704)
Other operating charges		(17,492)	(15,539)
Total operating costs		(562,344)	(533,553)
EBITDA		51,488	109,506
Amortisation, depreciation and write-downs			
Amortisation of intangible assets	7	(8,407)	(7,157)
Depreciation of tangible assets	8	(13,623)	(10,863)
Depreciation of right of use assets	6	(24,753)	
Other adjustment	9		
Total amortisation, depreciation and write-downs		(46,783)	(18,020)
Provisions	15-19	(1,907)	(1,774)
EBIT		2,797	89,712
Financial income and expenses			
Financial income	27	15,838	14,689
Financial expenses	27	(31,180)	(19,824)
Total financial income (expenses)		(15,341)	(5,135)
Income (losses) from equity investments	28	37,757	6,072
Profit before taxes		25,213	90,650
Income taxes	12-29	5,131	(21,954)
Profit for the period		30,344	68,696
EPS (Euro)		0.92	2.08
EPS diluted (Euro)		0.92	2.08

Note:

(1) Sales revenues include transactions with Group's entities for 236.1 and 278.7 million euros, respectively, in the fiscal year 2019 and 2018.

The Income Statement doesn't include the information required by CONSOB regulation n. 15519/2006 due to the fact that the amounts are not significant. Please see Note 31 of the Notes to the separate financial statements.

Statement of Comprehensive Income

euro 000's	Notes	Year 19	Year 18
Profit/(loss) for the period (A)		30,344	68,696
Other Comprehensive Income that will be reclassified subsequently to profit and loss:			
Gain/(Losses) on derivative financial instruments (cash flow hedge)	16	328	(270)
Total other Comprehensive Income that will be reclassified subsequently to profit and loss (B)		328	(270)
Other Comprehensive Income that will not be reclassified subsequently to profit and loss:			
Cumulated actuarial gains/(losses) on defined benefit plans	20	(474)	156
Total other Comprehensive Income that will not be reclassified subsequently to profit and loss (C)		(474)	156
Total Comprehensive Income (A)+(B)+(C)		30,198	68,582

Note: the figures shown above in the Consolidated Statement of Comprehensive Income are represented net of tax effect.

Statement of Financial Position

euro 000's	Notes	12.31.19	12.31.18
Non current assets			
<i>Right of use assets</i>			
Right of use assets	6	158,839	
Total right of use assets		158,839	
<i>Intangible fixed assets</i>			
Assets with indefinite useful life	7	150,919	150,919
Others	7	22,928	22,431
Total intangible fixed assets		173,847	173,350
<i>Tangible fixed assets</i>			
Buildings and land	8	55,432	56,353
Plant and machinery	8	10,278	11,171
Equipment	8	9,421	9,061
Leasehold improvement	8	12,058	3,173
Others	8	8,306	4,576
Total property, plant and equipment		95,494	84,335
<i>Other assets</i>			
Investments properties	10	15	18
Investments in subsidiaries	11	505,699	608,734
Deferred tax assets			
Others	13	8,053	4,320
Total other assets		513,767	613,072
Total non-current assets		941,946	870,757
<i>Current assets</i>			
Inventories	14	252,306	233,277
Trade receivables (1)	15	186,062	211,575
Tax receivables	15	9	11
Derivative financial instruments	16	1,246	1,307
Others	15	74,617	44,468
Cash and cash equivalents	17	86,426	66,703
Total current assets		600,667	557,342
Total assets		1,542,613	1,428,099

to be continued

Note:

(1) *Trade receivables* include receivables from Group's entities for 119.6 and 138.4 million euros, respectively, at December 31st, 2019 and December 31st, 2018.

The Statement of Financial Position doesn't include the information required by CONSOB regulation n. 15519/2006 due to the fact that the amounts are not significant. Please see Note 31 of the Notes to the separate financial statements .

continuing

euro 000's	Notes	12.31.19	12.31.18
Shareholders' equity			
Share capital	18	66,187	66,187
Capital reserves	18	416,507	416,507
Treasury stock	18		
Hedging reserve	18	(128)	(456)
Other reserves	18	446,072	374,291
Profit/(Loss) for the period	18	30,344	68,696
Shareholders' equity		958,983	925,225
Non-current liabilities			
Provisions for risks	19	5,912	5,394
Deferred tax liabilities	12	5,816	16,261
Employee benefits	20	9,725	7,586
Derivative financial instruments	16	225	672
Bank borrowings	21	84,023	69,666
Non-current lease liabilities	22	136,272	
Others	23	14,015	14,476
Total non-current liabilities		255,988	114,055
Current liabilities			
Trade payables (2)	24	137,733	145,665
Tax payables	24	13,194	6,142
Derivative financial instruments	16	2,186	2,842
Others	24	63,913	65,516
Bank borrowings	21	87,822	167,999
Current lease liabilities	22	22,084	
Provisions for risks	19	710	655
Total current liabilities		327,643	388,818
Total Shareholders' equity and liabilities		1,542,613	1,428,099

Note:

(2) *Trade payables* include payables to Group's entities for 22.4 and 26.7 million euros, respectively, at December 31st, 2019 and December 31st, 2018.

The Statement of Financial Position doesn't include the information required by CONSOB regulation n. 15519/2006 due to the fact that the amounts are not significant. Please see Note 31 of the Notes to the separate financial statements.

Statement of Cash Flows

euro 000's	Notes	12.31.19	12.31.18
Profit/(Loss) for the period		30,344	68,696
Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:			
Amortizat., deprec., revaluat., and write-downs	6-7-8-9-14-15	52,450	23,520
Other non monetary expenses/(income)	16-18-19	664	(1,117)
Income taxes for the period	29	(5,131)	21,954
Changes in operating assets and liabilities:			
Trade receivables	15	6,442	(29,100)
Inventories	14	(1,366)	(73,447)
Tax receivables and tax payables	15-24	(7,699)	(1,685)
Trade payables	24	(18,711)	(11,604)
Other assets and liabilities	15-24	(29,622)	12,097
Change in reserve for employee	20	1,596	372
Cash flows from operating activities		28,967	9,686
Interests (paid)/collected		(805)	(121)
Interests (paid) on lease liabilities		(5,247)	
Income taxes (paid)/refunded		(1,055)	(5,378)
Net cash flows from operating activities (A)		21,861	4,187
Net investments in intangible and tangible assets	7-8	(21,539)	(17,058)
Acquisition of Italiantouch group			(24,101)
(Increase) decrease of equity investments	11	135,329	(2,272)
Reduction (increase) of other non-current assets	13	(3,733)	569
Cash flows generated (used) in investing activities (B)		110,057	(42,863)
Dividends paid	18	(33,094)	(46,331)
Capital increase			
Others change in Equity			
Loans to subsidiaries	13	7,422	(2,842)
Repayments of lease liabilities	22	(20,543)	
Repayments of financial liabilities	21	(216,042)	(46,250)
Proceeds from financial liabilities	21	150,000	100,000
Cash flows generated (used) in financing (C)		(112,256)	4,577
Translation differences (D)			
Cash flows from continuing operations (E)=(A)+(B)+(C)+(D)		19,661	(34,099)
Cash flow from assets held for sale (F)			
Cash flows generated (used) (G)=(E)+(F)		19,661	(34,099)
Net cash and cash equivalents at the beginning of the period		66,703	100,802
Net cash and cash equivalents at the end of the period		86,364	66,703
Change in net cash and cash equivalents		19,661	(34,099)

Statement of Changes in Equity

Year 2019 euro 000's	Share capital	Capital reserves	Hedging reserve	Retained earnings	Total
Balances as of 01.01.19	66,187	416,507	(456)	442,986	925,225
Profit & Loss account				30,344	30,344
Directly in equity			328	(474)	(146)
Total Comprehensive Income			328	29,870	30,198
Dividends				(33,094)	(33,094)
Capital increase					
Share based payments					
Other (1)				36,653	36,653
Balances as of 12.31.19	66,187	416,507	(128)	476,416	958,983

Year 2018 euro 000's	Share capital	Capital reserves	Hedging reserve	Retained earnings	Total
Balances as of 01.01.18	66,187	416,507	(186)	425,705	908,213
Changes in accounting standards (IFRS 15)				(4,545)	(4,545)
Balances as of 01.01.18	66,187	416,507	(186)	421,160	903,668
Profit & Loss account				68,696	68,696
Directly in equity			(270)	156	(114)
Total Comprehensive Income			(270)	68,852	68,582
Dividends				(46,331)	(46,331)
Capital increase					
Share based payments					
Other				(694)	(694)
Balances as of 12.31.18	66,187	416,507	(456)	442,986	925,225

Note:

(1) Other changes recorded in 2019 relate to the effects of three merger by incorporation transactions that took place during the year, i.e. the merger by incorporation of Del.Com S.r.l. and of Italiantouch S.r.l. which became effective for accounting and tax purposes from January 1st, 2019 and the cross-border merger of the wholly-owned subsidiary Holpaf B.V., based in the Netherlands, which became effective from December 9th, 2019. In addition, other changes include the use of the reserve for the pursuit of solidarity projects at a local level.

TOD'S s.p.a.

Notes to the Separate Financial Statements

s.p.a.

1. General notes

The parent company TOD'S S.p.A., registered office in Sant'Elpidio a Mare (Fermo) at Via Filippo Della Valle 1, is listed on Mercato Telematico Azionario (MTA) of Borsa Italiana S.p.A..

At December 31st, 2019 TOD'S S.p.A. share capital is owned by DI.VI. FINANZIARIA DI DIEGO DELLA VALLE & C. S.r.l. for 50.291%.

The Separate financial statements has been prepared by the Board of Directors of TOD'S S.p.A. on March 30th, 2019 for the approval of the shareholders meeting on June 3rd, 2020 and it is subject to PricewaterhouseCoopers S.p.A. audit.

2. Basis of preparation

The Separate Financial Statements were prepared in accordance with IAS/IFRS (International Accounting Standards – IAS -, and International Financial Reporting Standards – IFRS) issued by IASB, based on the text published on the Gazzetta Ufficiale of European Union (G.U.C.E.). IAS/IFRS refer also to all revised International Accounting Standards (IAS) and all interpretative documents issued by the IFRIC (International Financial Reporting Interpretations Committee), previously nominated Standing Interpretations Committee (SIC).

The Notes have been supplemented by the additional information required by CONSOB and its implementing measures of Article 9 of Legislative Decree 38/2005 (Resolutions 15519 and 15520 of July 27th, 2006 and memorandum DEM/6064293 of July 28th, 2006, pursuant to Article 114(5) of the Consolidated Law on Finance-TUF), Article 78 of the Issuer Regulation, the EC document of November 2003 and, when applicable, the Italian Civil Code. Consistently with the financial statements for the previous year, certain information is provided in the Report by the Board of Directors on Operations.

The separate financial statements has been prepared on the going concern basis, and it includes the statement of financial position, the income statement, statement of comprehensive income, the statement of cash flows, the statement of changes in equity and related notes to the separate financial statements of TOD'S S.p.A. It should be noted that, following the application of IFRS 16 as from 1 January 2019, the statement of financial position was amended by adding, in the financial statements, a specific line in the section of non-current assets separately from intangible assets and property, plant and equipment, relating to right-of-use assets. On the other hand, a new specific line was added to non-current liabilities, separately from the others, relating to non-current lease liabilities, and a new specific line was also added to current liabilities, separately from the others, relating to current lease liabilities. As regards the cash flow statement, it should be noted that the reduction in financial liabilities relating to financial

costs on leased assets has been explicitly reported in the section of net cash flows from operating activities; moreover, the section of cash flows from financing activities now explicitly reports the disbursements of the nominal value of lease liabilities.

The separate financial statements is prepared in euro currency.

For presentation of its operating income, the Company adopted the presentation of the profit and loss by nature. The format of representing revenues and costs by nature is followed, indicating the EBITDA and EBIT results as in the past, since they are considered representative indicators of company performance. In addition, it has been prepared the statement of comprehensive income which include transactions that are outside the income statement but they produce their effects directly to equity. Transactions represented in the statement of comprehensive income are net of tax effects.

The statement of financial position shows current items, for which it is supposed that they will be realized or closed during the normal operating cycle, separately from non-current items (both assets and liabilities).

The financial statements schemes, joined with both report on operations and supplementary notes, are considered to be those that provide the best organized representation of the Company's financial position and income. In case, for the application of a new accounting standards, there is a change in the nature of the operations or re-examination of the financial statements and it is necessary or more appropriate to modify some figures to provide a clearer information to the stakeholders, the comparative figures will be reclassified in order to improve the comparability of the information between the years. In such a case, if significant, appropriate information in the notes to the separate financial statements will be provided.

In this regard, it should be noted that, following the application of IFRS 16, in addition to the changes made to the schedules of financial statements described above, certain income statement items have been reclassified in order to better represent the nature of some costs and revenues relating to lease agreements. For the purposes of comparing and understanding the information in a more correct manner, the corresponding values for the 2018 financial year have been reclassified accordingly.

Finally, it should be noted that IFRS 16 was adopted by the Company as from January 1st, 2019, opting for the modified retrospective approach: therefore, the comparative data have not been restated.

In accordance with art. 3 of Consob resolution n. 18079 of January 20th, 2012 the Company adopt the waiver resulting in art. 70 c. 8 and 71 c. 1-bis of Consob regulation n. 11971/99 (and subsequent modifications) in connection with making available, to third parties, all the

documents related to mergers, corporate splits, capital increases, acquisitions and disposals in the corporate headquarter.

3. Evaluation methods and accounting standards

The accounting standards applied to the preparation of the Separate Financial Statements are consistent with those applied to the preparation of the Separate Financial Statements at December 31st, 2018, except for the information reported below in relation to any amendments, interpretations and new accounting standards applicable from January 1st, 2019.

Accounting standards, amendments and interpretations endorsed by the European Union, applicable from January 1st, 2019, which were applied on first-time adoption in the TOD'S S.p.A. financial statements at December 31st, 2019

- 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 Leases. 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. The new standard 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 impacts arising from the adoption of this standard on the Entity's financial statements are summarised in Note 7.
- IFRIC 23: *Uncertainty over Income Tax Treatments*. On June 7th, 2017 the IASB issued IFRIC 23 "Uncertainty over Income Tax Treatments", providing instructions to account for (current and/or deferred) tax assets and liabilities relating to income tax as a result of uncertainties in the application of tax regulations. The adoption of this standard had no significant impact on the Entity's financial statements.
- *Amendments to IFRS 9: Prepayment Features with Negative Compensation*. On October 12th, 2017 the IASB issued Amendments to IFRS 9 to clarify the classification of certain financial assets, whose early repayment is permitted when IFRS 9 applies. Specifically, if the financial asset contains a contractual clause that might change the timing or amount of contractual cash

flows, the entity must determine whether the contractual cash flows that might arise during the life of the instrument under said clause exclusively consist of payments of principal and interest accrued on the capital amount to be repaid. The IASB has set the date of first-time adoption of the amendments at 1 January 2019, with early adoption permitted. After having consulted the European Financial Reporting Advisory Group (EFRAG), the Commission has concluded that the amendments to IFRS 9 meet the adoption requirements set out in Article 3.2 of Regulation (EC) 1606/2002. The European Union endorsed these amendments by Regulation (EU) 2018/498 of 22 March 2018, which makes amendments to Regulation (EC) 1126/2008. The adoption of these amendments had no impact on the Entity's financial statements.

- *Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures.* On October 12th, 2017 the IASB issued amendments to IAS 28 to clarify the application of IFRS 9 Financial Instruments for long-term interests in subsidiaries or joint ventures included in investments in these entities for which the equity method is not applied. The adoption of these amendments had no impact on the Entity's financial statements.
- *Amendments to IAS19: Employee benefits- Plan amendment, Curtailment or settlement.* On February 7th, 2018 the IASB issued these amendments to clarify how to calculate pension costs when there is a change in defined-benefit plans. The provisions of Amendments to IAS 19 were endorsed by the European Union on March 13th, 2019. The adoption of these amendments had no impact on the Entity's financial statements.
- *Annual improvements to IFRSs 2015-2017 cycle.* In December 2017 the IASB published these improvements, which included the major amendments to IFRSs: a) IAS 12 Income Taxes: the proposed amendments clarify that an entity should recognise any and all tax effects (tributary relative) concerning the distribution of dividends; b) IAS 23 Borrowing Costs: the proposed amendments clarify that if the specific loans required for the purchase and/or construction of an asset remain outstanding even after that the asset is ready for use or sale, these loans cease to be regarded as specific and therefore are included in the entity's general financing items for the purposes of determining the capitalisation rate of loans; c) IAS 28 Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures": the proposed amendments clarify that IFRS 9 "Financial Instruments", including impairment requirements, also applies to other financial instruments held for a long period of time and issued to an associate or joint venture. These amendments were endorsed by the European Union on 14 March 2019. The adoption of these amendments had no significant impact on the Entity's financial statements.

Accounting standards, amendments and interpretations endorsed by the European Union, applicable from January 1st, 2020, and not early adopted by the Company

- *Amendments to IAS 1 and IAS 8: Definition of materiality.* The amendment was published by the IASB on 31 October 2018 and provides for a different definition of "material", i.e.: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments will be effective for annual periods commencing on or after January 1st, 2020, with early adoption permitted. Based on a preliminary analysis, the future adoption of these amendments should not have any significant impact on the Entity's financial statements.
- On March 29th, 2018 the IASB published the revised version of the "*Conceptual Framework for Financial Reporting.*" The main amendments to the 2010 version include: i) a new chapter on measurement; ii) improved definitions and guidance, in particular with reference to the definition of a liability; iii) clarifications in important areas, such as stewardship, prudence and measurement uncertainty. A document was also published which updated the references to the previously applicable Conceptual Framework reported in the IFRS. Where they are effective updates, the amendments will be effective for annual periods commencing on or after January 1st, 2020.
- *Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform.* The amendments provide certain reliefs in relation to the interest rate benchmark reform. The IBOR reform should not cause hedge accounting to terminate. Any hedge ineffectiveness must continue to be recognised in profit or loss. These amendments will be effective from the financial periods commencing on January 1st, 2020. Based on a preliminary analysis, the future adoption of these amendments should not have any significant impact on the Entity's financial statements.

Accounting standards, amendments and interpretations published by the IASB but not yet endorsed by the European Union

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 17: Insurance Contracts.* On May 18th, 2017 the IASB issued IFRS 17 "Insurance contracts", which sets out the principles for the recognition, measurement, presentation and disclosure of insurance contracts included in the standard. The objective of IFRS 17 is to ensure

that an entity provides relevant information that faithfully represents those contracts, in order to give a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. On June 21st, 2018 the IASB provided clarifications concerning the standard in order for the related interpretation to reflect the decisions made by the Board. The board has accepted to clarify some issues concerning the contracts subject to variable rates and issues correlated to IFRS 3 "Business combinations". The provisions of IFRS 17 will be effective from periods beginning on or after January 1st, 2021. Based on a preliminary analysis, the possible future adoption of this standard should not have any significant impact on the Entity's financial statements.

- *Amendments to IFRS 3: Business combinations.* On October 22nd, 2018 the IASB issued the document on the "Definition of a Business (Amendments to IFRS 3)", aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date falls on or after January 1st, 2020, with early adoption permitted. Based on a preliminary analysis, the possible future adoption of these amendments should not have any significant impact on the Entity's financial statements.
- *Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current.* The final amendments in Classification of Liabilities as Current or Non-Current affect only the presentation of liabilities in the statement of financial position, not the amount or timing of recognition of any asset, liability, income or expenses, or the information that the entities disclose about these items. Specifically, the amendments:
 - clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
 - clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability;
 - clarify that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments will be effective from January 1st, 2022 and shall be applied on a retrospective basis, with early adoption permitted. Based on a preliminary analysis, the possible future adoption of these amendments should not have any significant impact on the Entity's financial statements.

The standards listed herein are not applicable since they have not yet been endorsed by the European Union, which, during the endorsement process, may adopt only partially these standards or not adopt them at all.

3.1 Use of estimates. Preparation of the financial statements and notes in conformity with IFRS requires that management make judgments, estimates and assumptions which impact on the values reported for assets and liabilities, as well as disclosures relating to contingent assets and liabilities at the balance sheet date and on the values of revenues and expenses reported on the current period. Estimates and assumptions are based on historical data and other elements deemed significant, as at the end of the accounting period of reference.

3.2 Transactions in foreign currency. The functional currency (the currency used in the principal economic area where the company operates) used to present the financial statements is the euro. Foreign currency transactions are translated into the functional currency by applying the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the financial statements are translated by using the exchange rate in effect at the closing date. Non-monetary assets and liabilities are valued at their historical cost in foreign currency and translated by using the exchange rate in effect at the transaction date.

The foreign exchange differences arising upon settlement of these transactions or translation of cash assets and liabilities are recognized on the profit and loss account.

3.3 Derivative financial instruments. The fundamental characteristics of the derivative financial instruments are set out in the paragraph on Financial Assets and in the paragraph on Loans. The company uses derivative financial instruments (mainly currency forward contracts) to hedge the risks stemming from foreign exchange exposure deriving from its operating activity and to hedge interest rate risks on loans, without any speculative or trading purposes, and consistently with the strategic policies of cash management dictated by the Board of Directors. When derivative transactions refer to a risk connected with the variability of forecast transaction cash flow, they are recognized according to the rules for cash flow hedge until the transaction is recorded on the books. Subsequently, the derivatives are treated in accordance with fair value hedge rules, insofar as they can be qualified as instruments for hedging changes in the value of assets or liabilities carried on the balance sheet.

Applying IFRS 9, derivatives financial instruments are accounted in accordance with the hedge accounting method which envisages posting derivatives on the balance sheet at their fair value. Posting of the changes in fair value varies according to the type of hedging at the valuation date:

- for derivatives that hedge forecast transactions (i.e. cash flow hedge), the changes are recognized in the other comprehensive income, while the portion for the ineffective amount is recognized on the profit and loss account, under financial income and expenses; differences in fair value already recognized on specific reserves are booked in profit and loss, adjusting operating margins, once hedged items (trade receivables/payables) have been already recognized. For hedging derivatives related to interest rate risks on loans, the change in fair value, already recognized in the cash flow hedge reserve, are booked in profit and loss, adjusting financial income/charges once hedged items (financial receivables/liabilities) have been already recognized;
- for derivatives that hedge receivables and payables recognized on the balance sheet (i.e. fair value hedge), the fair value differences are recognized entirely on the profit and loss account, under financial income and expenses. Furthermore, the value of the hedged item (receivables/payables) is adjusted for the change in value attributable to the hedged risk, using the item financial income and expenses as a contra-entry.

The criteria established by IFRS 9 for a hedging relationship to qualify for hedge accounting are the following:

- a) the hedging relationship consists solely of both hedging instruments and hedged items that comply with the provisions of IFRS 9;
- b) at the beginning of the hedging relationship there is a formal designation and documentation of the same hedging relationship together with the objectives and risk management strategies underlying the hedge;
- c) the hedging relationship complies with the provisions of IFRS 9 regarding the effectiveness of the hedge.

3.4 Right-of-use assets.

The asset for the right of use of leased assets is initially measured at cost, and subsequently amortised over the term of the lease agreement. The cost includes:

- the initial amount of lease liabilities;
- incentives received under the lease agreement;
- initial direct costs incurred by the lessee;
- estimated costs that will be incurred by the lessee to restore the leased asset to the conditions existing prior to the lease, according to the provisions of the lease agreement.

Right-of-use assets are amortised according to the provisions of IAS16. Finally, these assets are tested for impairment according to the provisions of IAS 36.

3.5 Intangible fixed assets.

i. **Goodwill.** All business combinations are recognized by applying the acquisition method. Goodwill is measured at the acquisition date as the excess of the assets and liabilities recognised in accordance with IFRS 3 and the fair value of consideration transferred including the amount of any non-controlling interests recognised.

If the company's interest in the fair value of assets, liabilities, and identifiable potential liabilities exceeds the cost of the acquisition (negative goodwill) after redetermination of these values, the excess is immediately recognized on the profit and loss account.

For acquisitions prior to January 1st, 2005, the date of transition to IAS/IFRS, goodwill retained the values recognized on the basis of the previous Italian GAAP, net of accumulated amortization up to the transition date.

Goodwill is recognized on the financial statements at its cost adjusted for impairment losses. It is not subject to amortization, but the adequacy of the values is annually subjected to the impairment test, in accordance with the rules set forth in the section Impairment losses.

ii. **Trademarks.** These are recognized according to the value of their cost and/or acquisition, net of accumulated amortization at the date of transition to IAS/IFRS. Trademarks TOD'S, HOGAN and FAY are classified as intangible fixed assets with an indefinite useful life and thus are not amortized, insofar as:

- they play a primary role in company strategy and are an essential driver thereof;
- the corporate structure, construed as organized property, plant, and equipment, and organization itself in a figurative sense, is closely correlated with and dependent on dissemination and development of the trademarks on the markets;
- the trademarks are proprietary, properly registered, and constantly protected pursuant to law, with options for renewal of legal protection, upon expiration of the registration periods, that are not burdensome, easily implemented, and without external impediments;
- the products sold by the company with these trademarks are not subject to particular technological obsolescence, which is characteristic of the luxury market in which the company operates; on the contrary, they are consistently perceived by the market as being innovative and trendy, to the point of being models for imitation or inspiration;

- in the national and/or international context characteristic of each trademark, they are distinguished by market positioning and notoriety that ensures their dominance of the respective market segments, being constantly associated and compared with benchmark brands;
- in the relative competitive context, it can be affirmed that the investments made for maintenance of the trademarks are proportionately modest with respect to the large forecast cash flows.

The adequacy of the values is annually subjected to the impairment test, in accordance with the rules set forth in the section *Impairment losses*.

iii. Research and development costs. The research costs for a project are charged fully to the profit and loss account of the period in which they are incurred.

The development costs of an activity are instead capitalized if the technical and commercial feasibility of the relative activity and economic return on the investment are certain and definite, and the company has the intention and resources necessary to complete the development.

The capitalized costs include the costs for materials, labor, and an adequate portion of indirect costs. They are recognized at cost, net of accumulated amortization and depreciation (see below) and impairment losses.

iv. Other intangible fixed assets. These are identifiable non-monetary intangible assets under the control of the company and capable of causing the company to realize future economic benefits.

They are initially recognized at their purchase cost, including expenses that are directly attributable to them during preparation of the asset for its intended purpose or production, if the conditions for capitalization of expenses incurred for internally generated expenses are satisfied.

The cost method is used for determining the value reported on subsequent statements, which entails posting the asset at its cost net of accumulated amortization and write-downs for impairment losses.

v. Subsequent capitalizations. The costs incurred for these intangible fixed assets after purchase are capitalized only to the extent that they increase the future economic benefits of the specific asset they refer to. All the other costs are charged to the profit and loss account in the fiscal year in which they are incurred.

vi. **Amortization.** Intangible fixed assets (excluding those with an indefinite useful life) are amortized on a straight-line basis over the period of their estimated useful life, starting from the time the assets are available for use.

3.6 Tangible fixed assets and Investments properties.

i. **Property, plant, and equipment owned by the company.** They are first recognized at their purchase cost or at the cost recalculated at the date of transition to IFRS, including any directly attributable ancillary expenses.

Following first-time recognition, these assets are reported net of their accumulated depreciation and impairment losses (i.e. in accordance with the Cost Model).

For those assets whose depreciation must be calculated using the component approach, the portions of cost allocable to the individual significant components characterized by a different useful life are determined. In this case, the value of land and buildings is kept separate, with only buildings being depreciated.

ii. **Subsequent capitalizations.** The costs incurred for property, plant, and equipment after purchase are capitalized only to the extent that they increase the future economic benefits of the asset. All the other costs are charged to the profit and loss account in the fiscal year in which they are incurred.

iii. **Investments properties.** Real estate investments are originally recognized at cost, and then recognized at their cost as adjusted for accumulated depreciation and impairment losses.

Depreciation is calculated on a systematic, straight-line basis according to the estimated useful life of the buildings.

iv. **Depreciation.** Property, plant, and equipment were systematically depreciated at a steady rate according to the depreciation schedules defined on the basis of their estimated useful life. Land is not depreciated. The principal depreciation rates applied are as follows:

	% depreciation
Industrial buildings	3%
Machinery and plant	12,5%
Equipments	25%
Forms and punches, clichés, molds and stamp	25%
Furniture and furnishings	12%
Office machines	20%
Car and transport vehicles	20%-25%

The photovoltaic system is depreciated over a period of 20 years. The costs for leasehold improvements, which mainly include the costs incurred for set up and modernization of the DOS network and all the other real estate that is not owned but used by the company (and thus

instrumental to its activity) are depreciated according to the term of the lease agreement or the useful life of the asset, if this is shorter.

3.7 Impairment losses. In the presence of indicators, events, or changes in circumstances that presume the existence of impairment losses, IAS 36 envisages subjecting intangible fixed assets and property, plant and equipment to the impairment test in order to assure that assets with a value higher than the recoverable value are not recognized on the financial statements. This test is performed at least once annually for non-current assets with an indefinite life in the same way as that used for non-current assets that have not yet been placed in service.

Confirmation of the recoverability of the values recognized on the balance sheet is obtained by comparing the book value at the reference date and the fair value less costs to sale (if available) or value in use. The value in use of a tangible or intangible fixed asset is determined according to the estimated future financial flows expected from the asset, as discounted through use of a rate net of taxes, which reflects the current market value of the present value of the cash and risks related to Group's activity.

If it is not possible to estimate an independent financial flow for an individual asset, the cash generating unit to which the asset belongs and with which it is possible to associate future cash flows that can be objectively determined and independent from those generated by other operating units is identified. Identification of the cash generating units was carried out consistently with the organizational and operating architecture of the Group.

If the impairment test reveals an impairment loss for an asset, its book value is reduced to the recoverable value by posting a charge on the profit and loss account.

When the reasons for a write-down cease to exist, the book value of the asset (or the cash generating unit), with the exception of goodwill, is increased to the new value resulting from the estimate of its recoverable value, but not beyond the net book value that the asset would have had if the impairment loss had not been charged. The restored value is recognized immediately on the profit and loss account.

Right-of-use assets are tested for impairment according to the provisions of IAS 36.

3.8 Investments in subsidiaries and associated companies. The investments in subsidiaries, joint ventures, and associated companies that are not classified as held for sale in compliance with IFRS 5 are recognised at their historic cost. The value recognised on the financial statements is subjected to the impairment test, in case of trigger events, as envisaged by IAS 36, and adjusted for any impairment losses; the write-off are reversed in case the conditions determining the adjustment no longer exists or has decreased.

3.9 Financial assets.

Financial assets are recognized in the financial statements from the moment in which the Company acquires the legal right to realize the cash flows arising from these assets based on contractual provisions. Financial assets are eliminated from the assets of the balance sheet if and only if the contractual right to obtain the cash flows from the same assets has expired or if these financial assets have been transferred and this transfer meets the requirements of IFRS 9 for elimination from the balance sheet.

Financial assets are initially recognized at fair value, which generally correspond with the initial transaction price, net of transaction costs that are directly attributable to the acquisition or issue of the same financial asset.

Following the initial registration, financial assets are recognised according to one of the following methods:

- a) amortized cost;
- b) fair value with related changes booked to the other comprehensive income;
- c) fair value with related changes recognized in the income statement.

In application of the provisions of IFRS 9 regarding the classification and therefore taking into account the Group's business model and the characteristics of the cash flows contractually provided, it should be noted that the Company does not hold financial assets as per points b) and c) of which above except for what has already been commented previously on derivative financial instruments.

The financial assets are subject to the impairment procedure envisaged by IFRS 9 in order to reflect the expected losses arising from the same financial assets.

3.10 Inventories. These are recognized at the lower of purchase cost and their estimated disposal value. The net disposal value represents the best estimate of the net sales price that can be realized through ordinary business processes, net of any production costs not yet incurred and direct sales costs.

The cost of inventories is based on the weighted average cost method. The production cost is determined by including all costs that are directly allocable to the products, regarding – for work in progress and/or semi-finished products – the specific stage of the process that has been reached. The values that are thus obtained do not differ appreciably from the current production costs referring to the same classes of assets.

A special depreciation reserve is set aside for the portion of inventories that are no longer considered economically useable, or with a presumed disposal value that is less than the cost recognized on the financial statements.

3.11 Trade receivables and other receivables. They are initially recognized at fair value, which generally coincides with the initial transaction price, net of transaction costs that are directly attributable to the acquisition or issue of the asset. Following the initial recognition, they are valued at amortized cost using the effective interest method. In application of IFRS 9, they are subjected to the impairment procedure in order to reflect the expected losses arising from the same receivables by adjusting the entry value with a specific provision for bad debts thus determined:

- i. receivables under litigation, with certain and precise evidence documenting the impossibility of collecting them, have been analytically identified and then written down;
- ii. for other bad debts, prudent allowances for write-downs have been set aside, estimated on the basis of information updated at the date of this document, also taking into account the expected losses over the life of the receivable.

3.12 Cash and cash equivalents. This includes cash on hand, bank demand deposits, and financial investments with a maturity of no more than three months. These assets are highly liquid, easily convertible into cash, and subject to a negligible risk of change in value.

3.13 Assets and liabilities held for sale. Non-current assets (or disposal groups) are classified as available for sale when their carrying amount is recovered through a sale transaction rather than through continuing use. They are not depreciated and are measured at the lower of carrying amount and fair value, less costs to sell. Assets available for sale and related liabilities are presented separately from other assets and liabilities in the statement of financial position. TOD'S Group doesn't held any assets and liabilities held for sale.

3.14 Reserve for employee. Employee benefits include (i) short-term employee benefits such as wages, salaries and related social security contributions, accrued but not yet paid, paid annual leave and paid sick leave, etc.; (ii) post-employment benefits, such as pensions or retirement benefits; (iii) other long-term benefits; and (iv) termination benefits.

Short-term benefits are recognised periodically on an accruals basis and are made up of liabilities to employees that have not been settled by the reporting date.

Post-employment benefits are divided into two categories:

- i. **Defined contribution plans.** The payments for eventual defined contribution plans are charged to the profit and loss account in the period that they are owed.

ii. **Defined benefit plans.** The costs of defined benefit plans are calculated using the Projected Unit Credit Method, carrying out the actuarial measurements at the end of each financial year. Past service costs are recognised immediately to the extent that these benefits have already accrued; otherwise they are amortised on a straight-line basis within the average period within which the benefits are expected to accrue. The financial costs that have accrued on the basis of the annual discounting rate are recognised in the income statement immediately. Actuarial gains and losses are recognised through other changes in comprehensive income under the specific equity item. Liabilities for post-employment benefits recognised in the financial statements represent the present value of liabilities for defined benefit plans. On the other hand, there are no other long-term employee benefits or termination benefits in the financial statements.

iii. **Share based payments.** The payments based on shares are assessed at their fair value on the assignment date. This value is recognized on the profit and loss account on a straight-line basis throughout the period of accrual of the rights. This allocation is made on the basis of a management estimate of the stock options that will actually accrue in favor of vested employees, considering the conditions for use thereof.

The fair value is determined by using the binomial method. No share based payments result in the current consolidated financial statements.

3.15 Lease Liabilities

These are measured at the present value of fixed lease payments not yet made as at the date of inception of the lease, as discounted using the lessee's incremental borrowing rate. Liabilities for leased assets are subsequently increased by the interest that accrues on these liabilities and decreased in correlation with the lease payments. Furthermore, lease liabilities may record an increase or decrease in value in order to reflect reassessments or lease modifications of future lease payments that are made after the initial date.

3.16 Financial liabilities.

Bank overdrafts and financing. Interest-bearing financing and bank overdrafts are initially recognized at *fair value*, net of transaction costs, and subsequently valued at amortized cost, using the effective interest method.

3.17 Payables.

Trade payables and other payables. These are measured at fair value which generally correspond to their nominal value.

3.18 Provisions for risks. These are certain or probable liabilities that have not been determined at the date they occurred and in the amount of the economic resources to be used for fulfilling the obligation, but which can nonetheless be reliably estimated. They are recognized on the balance sheet in the event of an existing obligation, legal or constructive, resulting from a past event, and it is likely that the company will be asked to satisfy the obligation.

If the effect is significant, and the date of the presumed discharge of the obligation can be estimated with sufficient reliability, the provisions are recognized on the balance sheet discounting future cash flows.

The provisions that can be reasonably expected to be discharged twelve months after the reference date are classified on the financial statements under non-current liabilities. Instead, the provisions for which the use of resources capable of generating economic benefits is expected to take place in less than twelve months after the reference date are recognized as current liabilities.

Provisions for risks and charges include an estimate of the costs that the lessee will incur to restore the leased assets to the initial conditions existing at the time the lease agreement is entered into, according to the contract provisions laid down therein

3.19 Share capital.

- i. **Share capital.** The total value of shares issued by the parent company is recognized entirely under shareholders' equity, as they are the instruments representing its capital.
- ii. **Treasury stock.** The consideration paid for buy-back of share capital (treasury stock), including the expenses directly related to the transaction, is subtracted from shareholders' equity.

3.20 Dividends. The allocation of dividends to persons possessing instruments representing share capital after the reference date of the financial statement is not recognized under financial liabilities on the same reference date

3.21 Revenues recognition.

Revenues are recognized in the income statement when the contractual obligation relating to the transfer of goods or services has been satisfied. An asset is considered transferred to the end customer when the latter obtains control over the asset itself.

With reference to the main transactions realized by the Company, revenues are recognized on the basis of the following principles:

- i. **Sales of goods – retail.** The Company operates in the retail channel through its DOS network. Revenues are recognised when the goods are delivered to customers. Sales are usually collected in the form of cash or through credit cards.
- ii. **Sales of goods – wholesale.** The Company distributes products on the wholesale market. Following the analysis carried out for the purposes of the first application of the accounting standard IFRS 15 (January 1st, 2018), it was decided that, with regard to this type of transaction, there is a single performance obligation. In particular, the related revenues are accounted for when the customer obtains control of the goods shipped (at a point in time) and taking into account the estimated effects of year-end returns. Following the application of IFRS 15 the representation of the liability for returns to be received in the consolidated statement of financial position is recorded separately, as a liability, among the Other Liabilities, expressing the debt repayment of the returns (contract liability) and as an asset, among the Inventories, expressing the right to recover the products for returns (contract assets).
- iii. **Provision of services.** These revenues are accounted for in proportion to the stage of completion of the service rendered at the reference date and in accordance with contractual provisions.
- iv. **Royalties.** Royalties in connection with the licensing of the sale of products (sales-based royalties) or the use of certain assets (usage-based royalties) are recognized in the financial statements when the aforementioned sale or use has occurred or, if later, when the obligation to which the royalty refers has been satisfied.

3.22 Financial income and expenses. These include all financial items recognized on the profit and loss account for the period, including interest expenses accrued on financial payables calculated by using the effective interest method (mainly current account overdrafts, medium-long term financing), foreign exchange gains and losses, gains and losses on derivative financial instruments (according to the previously defined accounting principles), received dividends, the portion of interest expenses deriving from accounting treatment of assets held under leases (IFRS 16) and employee reserves (IAS 19).

Interest income and expenses are recognized on the profit and loss account for the period in which they are realized/inurred, with the exception of capitalized expenses (IAS 23).

Dividend income contributes to the result for the period in which the company accrues the right to receive the payment.

3.23 Income taxes. The income taxes for the period include determination both of current taxes and deferred taxes. They are recognized entirely on the profit and loss account and included in

the result for the period, unless they are generated by transactions recognized directly to shareholders' equity during the current or another period. In this case, the relative deferred tax liabilities are also recognized under shareholders' equity.

Current taxes on taxable income for the period represent the tax burden determined by using the tax rates in effect at the reference date, and any adjustments to the tax payables calculated during previous periods.

Deferred tax liabilities refer to the temporary differences between the book values of assets and liabilities on the balance and the associated values relevant for determination of taxable income. For all temporary taxable differences, it is recognized the tax liability with the exception of liabilities deriving from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, does not influence either the income (loss) reported on the financial statements or taxable income (tax loss).

Deferred tax assets and liabilities are compensated if and only if there is an executive right to compensate the related current taxes and if deferred tax assets and liabilities are related to income taxes applied by the same tax authority.

Deferred tax assets deriving from temporary deductible differences are recognized on the financial statements only to the extent that it is likely that taxable income will be realized for which the temporary deductible difference can be used. No recognition is posted in case the difference between the carrying amounts and the tax bases relate to goodwill arising from business combinations.

The taxes in question (deferred tax assets and liabilities) are determined on the basis of a forecast of the assumed percentage weight of the taxes on the income of the fiscal years in which the taxes will occur, taking into account the specific nature of taxability and deductibility. The effect of change in tax rates is recognized on the profit and loss account of the fiscal year in which this change takes place. The accrual for taxes that could arise from the transfer of non-distributed profits from subsidiaries are posted only when there is the real intention to transfer such profits.

3.24 Statement of cash flows. The statement of cash flows is drafted using the "indirect" method. The net financial flows of operating activity are determined by adjusting the result for the period of the effects deriving from change to net operating working capital, non-monetary items, and all the other effects connected with investment and financing activities.

Net cash and cash equivalents are made up cash and cash equivalents net of bank overdrafts.

4. Management of financial risks

The company has implemented a system for monitoring its financial risks in accordance with the guidelines set out in the Corporate Governance Code of Listed Companies. As part of this policy, the financial risks connected with its operations are constantly monitored in order to assess their potential negative impact and undertake appropriate action to mitigate them. These risks are analysed as follows, highlighting the company's level of exposure. It also includes a sensitivity analysis designed to quantify the potential impact of hypothetical fluctuations in benchmark parameters on final results.

i. Credit risk

Credit risk represents the exposure to potential losses stemming from failure to discharge obligations towards trading counterparties. The company generates its revenues through three main channels: Group companies (directly operated store network), franchisees and customers (multi-brand). There is practically no credit risk on receivables from the Company, since almost all the entities belonging to the TOD'S Group are wholly owned by the Group. The receivables from independent customers (*franchisee e wholesale*), are subject to a hedging policy designed to streamline credit management and reduce the associated risk. In particular, company policy does not envisage granting credit to customers, while the creditworthiness of all customers, both long-standing and potential ones, is periodically analysed in order to monitor and prevent possible solvency crises.

The following table shows the ageing of trade receivables to third parties (and thus excluding intercompany positions) outstanding at December 31st, 2019 gross of allowances for doubtful accounts:

euro 000's	Overdue				Total
	Current	0>60	60>120	Over	
Third Parties	48,248	11,732	4,395	8,057	72,432

The prudent estimate of losses on the entire credit mass existing at December 31st, 2019 was 5.9 million euros. The total amount of overdue receivables at December 31st, 2019 for 24.2 million euros is now about 9.4 million euros.

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 Company and its own financial

requirements. The main factors that determine the 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 Company'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.

The table below shows the credit lines already used and available at December 31st, 2019 compared with December 31st, 2018:

Credit lines euro 000's	Cash Credit lines	Self-liquidating Credit lines	Financial Credit lines	Total
12.31.19				
Credit lines	37,300	104,376	450,000	591,676
Utilizations				
Credit lines available as of 12.31.19				
	37,300	104,376	450,000	591,676
12.31.18				
Credit lines	34,800	151,000	450,000	635,800
Utilizations				
Credit lines available as of 12.31.18				
	34,800	151,000	450,000	635,800

Furthermore, it should be noted that, TOD'S S.p.A., in order to borrow the liquid funds needed to meet any possible requirement connected with ordinary business activities and general corporate operations, entered into the following loan agreements, which are related to medium/long-term revolving credit facilities:

- i) Banco BPM S.p.A. signed on January 26th, 2018 for a maximum amount of 100 million euros with expiring date on January 26th, 2022;
- ii) Crédit Agricole Corporate and Investment Bank and Cassa di Risparmio di Parma e Piacenza S.p.A. (Crédit Agricole Group), signed on January 27th, 2016, and renewed on December 5th, 2018, for a maximum amount of 100 million euros, with expiring date on December 5th, 2021;
- iii) Unicredit S.p.A., signed on November 9th 2016, and renewed on November 7th, 2018, for a maximum amount of 100 million euros, with expiring date on November 8th, 2021;
- iv) B.N.L. S.p.A., signed on November 28th 2016, and renewed on December 21st, 2018, for a maximum amount of 100 million euros, with expiring date on November 28th, 2021;

v) Intesa Sanpaolo S.p.A. signed on December 21st, 2018 for a maximum amount of 50 million euros, with expiring date on December 31st, 2021.

The above credit lines have not been used at December 31st, 2019.

The table below shows the maturity of the outstanding financial liabilities at December 31st, 2019 and 2018:

euro 000's	Within 1 year	Between 1 and 5 years	Beyond 5 years	Total
12.31.19				
Bank borrowings		84,023		84,023
Other non-current liabilities		8,527		8,527
Trade payables	137,733			137,733
Bank	87,822			87,822
Derivative financial instruments	2,186	225		2,411
Other current liabilities	1,156			1,156
Total	228,897	92,775		321,672
12.31.18				
Bank borrowings		69,666		69,666
Other non-current liabilities		8,869		8,869
Trade payables	145,665			145,665
Bank	167,999			167,999
Derivative financial instruments	2,842	672		3,514
Other current liabilities	2,587			2,587
Total	319,093	79,207		398,300

The maturity analysis of lease liabilities is reported below in the application of paragraph 39 and B11 of IFRS 7:

euro 000's	Within 1 year	Between 1 and 5 years	Beyond 5 years	Total
12.31.19				
Lease liabilities	22,084	73,160	63,112	158,356
Total	22,084	73,160	63,112	158,356

Considering the Company capacity to generate cash and the available revolving credit facilities, it's reasonable to believe that liquidity risk is not significant.

As regards financial operations, the corporate policy is to continue to invest all of its available liquid funds in sight bank deposits, 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 the remuneration of deposits, as well as on the basis of their reliability.

iii. Market risk

IFRS 7 includes in this category all risks that are directly or indirectly connected with the fluctuation in prices on physical and financial markets to which the company is exposed:

- exchange rate risk;
- interest rate risk;
- commodity risk, connected with the volatility of prices for the raw materials used in the production process.

The company 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 following paragraphs analyse the individual risks, using sensitivity analysis as necessary to highlight the potential risk on final results stemming from hypothetical fluctuations in benchmark parameters. As envisaged by IFRS 7, these analyses are based on simplified scenarios applied to the final results for the periods referred to. By their very nature, they cannot be considered indicators of the actual effects of future changes in benchmark parameters of a different asset and liability structure and financial position different market conditions, nor can they reflect the interrelations and complexity of the reference markets.

Exchange rate risk. Due to its commercial operations, the company is exposed to fluctuations in the exchange rates for currencies in which some of its commercial transactions are denominated (particularly USD, GBP, CHF and those of certain countries in the Far East), against a cost structure that is concentrated principally in the Eurozone. The company 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 company's results.

Moreover, due to the geographical composition of the Company's subsidiaries, the Company is exposed to exchange rate risk related to intercompany financial flows (mainly dividends, loans, transactions on share capital).

The general objective of the risk management policy adopted by the Company involves minimizing the economic and transaction exchange risk realized through the conversion into euro of sales receipts in foreign currency, made during each season, net of reference costs, on the based on an average exchange rate, in line with the relative exchange rate changes, together with the timely conversion into euro of present and future foreign currency cash flows (eg: bank loans, intercompany loans, etc.) based on interest rates market change. The company 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.

The company defines its exchange risk a priori according to the reference period budget 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 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.

The Company monitors foreign exchange risk in intercompany financial transactions by monitoring 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 Company 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.

The breakdown of forward currency contracts (for sale and purchase) outstanding at December 31st, 2019 is illustrated in Note 16.

The assets and liabilities that are denominated in foreign currency are identified as part of the sensitivity analysis of exchange rates. In order to determine the potential impact on final results, the potential effects of fluctuations in the cross rates for the euro and major non-EU currencies have been analysed. The following table illustrates the sensitivity to reasonably likely changes in exchange rates on both pre-tax profit (due to changes in the value of current assets and liabilities denominated in foreign currency) and shareholder's equity (due to changes in fair value of financial instruments for the hedging of the exchange risk) while holding all other variables constant:

Euro		Impact on pre-tax profit 5% writedown of the foreign currency		Impact on pre-tax profit 5% revaluation of the foreign currency	
Currency	Country	FY 2019	FY 2018	FY 2019	FY 2018
CAD	Canada	(9,847.8)	(23,708.8)	10,884.4	26,204.4
CHF	Switzerland	49,952.0	18,489.6	(55,210.1)	(20,435.9)
GBP	UK	233,404.6	43,286.1	(257,973.5)	(47,842.5)
HKD	Hong Kong	124,255.5	6,025.6	(137,335.0)	(6,659.8)
JPY	Japan	(1,714,050.1)	(56,272.5)	1,894,476.5	62,195.9
KRW	Korea	(0.2)	(11,498.1)	0.2	12,708.5
RMB	China	(45,276.3)	241,877.9	50,042.3	(267,338.8)
SGD	Singapore	(25,932.2)	(22,418.2)	28,661.9	24,778.0
USD	USA	(29,187.7)	107,094.6	32,260.1	(118,367.7)
Other	n.a.	(102,910.4)	(28,403.7)	113,743.1	31,393.6
Total		(1,519,592.7)	274,472.5	1,679,549.8	(303,364.3)

euro 000's	Revaluation / Writedown foreign currency	Impact on pre-tax profit	Impact on Shareholders' equity
FY 2019	5%	(1,519.6)	(5,766.3)
	-5%	1,679.5	6,373.3

The impact on equity shown above relates to the effects on hedging reserve gross of tax effects. The analysis did not include assets, liabilities and future commercial flows that were hedged, since fluctuations in exchange rates impact income in an amount equal to what is recognised in the fair value of adopted hedge instruments.

Interest rate risk. The Company 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. TOD'S S.p.A. has the following outstanding loans with variable interest rates:

- a syndicated loan signed with Mediobanca and Crédit Agricole, with variable interest rate equal to EURIBOR 3M + 55 basis points (Note 21);
- loan signed with B.N.L. S.p.A. (BNP Paribas Group) on December 21st, 2018, for 25 million euros. The reimbursements will be done in 16 quarterly instalments; the expiring date is December 21st, 2022; The interest rate agreed is equal to EURIBOR 3M +0.7% (Note 21);
- loan signed with Intesa SanPaolo S.p.A., on December 21st, 2018, for an amount of 125 million euros. The reimbursements will be done in 6 half-year instalments; the expiring date is December 31st, 2021; The interest rate agreed is equal to EURIBOR 6M +0.7% (Note 21).

To hedge the risk of possible changes in the interest rates on the syndicated loan signed with Mediobanca and Crédit Agricole, two derivative contracts (interest rate swaps - IRS), have been

signed, for a notional amount equal to the amount drawn for the loan. These derivatives protect the Company from the risk of a generalised rise in interest rates, swapping the variable rate on the loan for a contractually fixed rate (a quarterly rate of 0.748%).

In addition, a derivative contract (interest rate swap - IRS) was signed for a notional amount equal to the amount of the loan used (Note 16) in order to hedge the risk arising from any possible change in interest rates on the loan taken out with BNL S.p.A. (BNP Paribas Group). This derivative contract protects the Company from the risk of a generalised rise in interest rates, swapping the variable rate of reference on the loan for a contractually fixed rate (a quarterly rate of 0.7%).

Such hedging transactions have been recognised in accordance with cash flow hedge methodology provided by IFRS 9.

After noting the trend in financial markets and in related reference rates, in addition to the term of the loan taken out with Intesa SanPaolo S.p.A., the Company has considered that the interest rate risk on the latter loan can be regarded as not significant. It should be noted that the Company monitors interest rate risks on an ongoing basis, and, in case there could be an increase of risks from potential substantial effects arising under the loan agreement, the Company will put in place appropriate hedging instruments in accordance with the Company practice well-established over time.

The sensitivity analysis carried out on interest rates has shown in addition that a hypothetically unfavourable change of 10% in short-term interest rates applicable to the adjustable rate financial liabilities existing at December 31st, 2019 would not have any impact on the pre-tax result, mainly due to the hedging instruments entered by the Company (same as at December 31st, 2018).

4.1 Categories of measurement at fair value

In accordance with IFRS 13, the financial instruments carried at fair value have been classified according to a hierarchy of levels that reflects the materiality of the inputs used to estimate their fair value. The following levels have been defined:

Level 1 – quoted prices obtained on an active market for the measured assets or liabilities;

Level 2 – inputs other than the quoted prices indicated hereinabove, which are observable either directly (prices) or indirectly (derived from prices) on the market;

Level 3 – inputs that are not based on observable market data.

The tables below show the breakdown of financial assets and liabilities between each financial category, classified in accordance with IFRS 9, and the fair value hierarchy level at December 31st, 2019 and 2018:

2019 euro 000's	Assets					Total	Level 1	Level 2	Level 3	Total
	Loans and receivables at amortized cost	Financial assets at FVOCI	Financial assets at FVPL	Hedge accounting						
Other non-current assets	7,907					7,907				
Total other non-current assets	7,907					7,907				
Trade receivables	186,062					186,062				
Derivative financial instruments				1,246	1,246		1,246		1,246	1,246
Other current assets										
Bank	86,426					86,426				
Total other current assets	272,488			1,246	273,734		1,246		1,246	1,246

2019 euro 000's	Liabilities			Total	Level 1	Level 2	Level 3	Total
	Financial liabilities at amortized cost	Financial liabilities at fair value	Hedge accounting					
Bank borrowings	84,023			84,023				
Other non-current liabilities	8,527			8,527				
Derivative financial instruments		225	225		225		225	225
Total other non-current liabilities	92,550	225	92,775		225		225	225
Trade payables	137,733			137,733				
Bank	87,822			87,822				
Derivative financial instruments		2,186	2,186		2,186		2,186	2,186
Other current liabilities	1,156			1,156				
Total other current liabilities	226,711	2,186	228,897		2,186		2,186	2,186

2018 euro 000's	Assets					Total	Level 1	Level 2	Level 3	Total
	Loans and receivables at amortized cost	Financial assets at FVOCI	Financial assets at FVPL	Hedge accounting						
Other non-current assets	2,970					2,970				
Total other non-current assets	2,970					2,970				
Trade receivables	211,575					211,575				
Derivative financial instruments			1,307	1,307			1,307		1,307	1,307
Other current assets	9,200					9,200				
Bank	66,703					66,703				
Total other current assets	287,478		1,307	288,785			1,307		1,307	1,307

2018 euro 000's	Liabilities				Total	Level 1	Level 2	Level 3	Total
	Financial liabilities at amortized cost	Financial liabilities at fair value	Hedge accounting	Total					
Bank borrowings	69,666			69,666					
Other non-current liabilities	8,869			8,869					
Derivative financial instruments		672		672			672		672
Total other non-current liabilities	78,535	672	79,207		672		672		672
Trade payables	145,665			145,665					
Bank	167,999			167,999					
Derivative financial instruments		2,842		2,842			2,842		2,842
Other current liabilities	2,587			2,587					
Total other current liabilities	316,251	2,842	319,093		2,842		2,842		2,842

Note that during the year 2019 there have not been any transfers between fair value levels indicated by the IFRS 13.

In connection with the fair value of financial assets and liabilities measured at amortised cost, given their nature, does not differ significantly from their carrying amounts.

5. IFRS 16

On January 13th, 2016 the IASB (International Accounting Standards Board) published IFRS 16 *Leases*, which replaces IAS 17; this document was adopted by the European Union on November 9th, 2017.

IFRS 16 defines the principles for the recognition, measurement, reporting and disclosure of leases (contracts granting the right to use third-party assets) and requires lessees to account for all leases according to the method set out for finance leases under the previously applicable accounting standard IAS 17, thus actually eliminating the previous distinction between operating and finance leases.

The Company adopted the new standard as from January 1st, 2019, adopting the modified retrospective approach; therefore, the comparative data have not been restated compared to those already published in the annual financial report at December 31st, 2018.

The application of IFRS 16 at January 1st, 2019 had a significant impact on the financial statements of the Company as a result of the business it conducts. In fact, the Company is the lessee under a series of lease agreements that have been analysed for the purposes of applying the new IFRS 16 and that mainly concern the Italian DOS retail outlets - which are now operated directly by the Company with effect from January 1st, 2019 following the merger by incorporation of the wholly-owned subsidiary Del.Com. S.r.l. -, other outlets, warehouses, offices and showrooms, machinery and office and electronic equipment. Property leases represent the predominant category, accounting in fact for approximately 90% of total lease liabilities.

From the accounting point of view, the application of IFRS 16 has entailed the recognition of a right-of-use asset on the property covered by the leases and a liability for leased assets in relation to fixed instalments still to be paid. The right-of-use asset for leased property is initially measured at cost, and subsequently amortised over the term of the lease agreement set out within the scope of the analysis. The cost of right-of-use assets includes the value initially recognised for the lease liability, any initial direct costs incurred, the estimate of any possible restoration costs to be incurred at the end of the contract term and advance payments relating to the lease made as at the date of the first transition, net of lease incentives received. The lease liability is measured at the present value of fixed lease payments not yet made as at the date of transition, as discounted using the interest rate as defined below.

The liability for leased assets is subsequently increased by the interest that accrues on that liability and is decreased in correlation with lease payments.

The table below reports a summary of the effects of the application of the abovementioned standard on both the balance sheet and the income statement:

euro 000's	Effects of first application of IFRS 16 at 01.01.2019
Non current assets	
<i>Right of use assets</i>	
Right of use assets	179,969
Total right of use assets	
Total non-current assets	179,969
Total assets	179,969
 Non-current liabilities	
Non-current lease liabilities	154,416
Provisions for risks	664
Total non-current liabilities	155,080
 Current liabilities	
Current lease liabilities	20,208
Others	4,681
Total current liabilities	24,889
Total liabilities	179,969

The main assumptions that have been adopted by the Company for the purposes of the first-time adoption of IFRS 16 are summarised below:

- in adopting IFRS 16, the Company has made use of the exemption granted for short-term leases (i.e. contracts expiring within 12 months or less) and for lease agreements for which the underlying asset is a low-value asset. For these agreements for which the exemption has been used, the adoption IFRS 16 has not entailed the recognition of the financial liability of the lease and related right of use; therefore, the accounting entries have not recorded changes compared to the previous period;
- significant initial direct costs that showed a positive net carrying amount in the balance sheet as at the transition date, have been included in the measurement of the right of use at January 1st, 2019;
- the term of lease agreements, with particular reference to the exercise of renewal and early termination options, has been determined on the basis of information existing as at the transition date;
- the discount rate (IBR, Incremental Borrowing Rate) used for estimates related to discounting future lease payments, has been determined by taking account of the free-risk interest rate applicable in Italy, plus an average spread calculated taking account of the present cost of indebtedness of the Company. The weighted average IBR applied during transition was 3.84%;
- variable lease payments, which are not linked to an index or rate, but mainly depend on sales volumes, continue to be accounted for among costs for leases and rentals in the income statement.

In addition to the information provided above, it should be noted that:

- lease payments falling within the definition of "short-term leases" provided for in IFRS 16 amounted to 4.5 million euros at December 31st, 2019;
- lease payments related to those assets falling within the definition of "low value assets" provided for in IFRS 16 totalled 25 thousand euros at December 31st, 2019.

Lease payments relating to those agreements that provide for a variable rent and that were therefore not included in the measurement of the lease liability, totalled 1.4 million euros at December 31st, 2019.

For the sake of completeness of information, it should be noted that the Company is analysing the impact of the document issued by the IFRC in December (Lease Term and Useful Life of Leasehold Improvements - Agenda paper 4) relating to the term of lease agreements that provide for the possibility of an indefinite renewal until a notice of termination is given.

6. Right-of-use Assets

Right-of-use assets for leased property include the value initially recognised for lease liabilities (see Note 5), any initial direct costs incurred, the estimate of any restoration costs to be incurred at the end of the contract term and advance payments relating to the lease made as at the date of the first transition, net of lease incentives received.

The table below summarises the composition and changes of right-of-use assets at December 31st, 2019.

euro 000's	12.31.19	12.31.18
Leased buindings	155,562	
Leased machineries	498	
Leased office machines	1,856	
Leased cars	923	
Total	158,839	

euro 000's	12.31.19	12.31.18
Amounts at inception 01.01.2019	179,969	
Increases	3,622	
Decreases		
Impairment losses		
Amortization for the period	(24,753)	
Translation differences		
Other changes		
Total	158,839	

7. Intangible fixed assets

5.1 Intangible assets with indefinite useful life. These include 137,235 thousand euros for the value of the Company owned brands and goodwill from business combinations for 13,685 thousand euros recognised in accordance with the acquisition method (IFRS 3). The value of Brands is broken down amongst the various brands owned by the Company (TOD'S, HOGAN and FAY):

euro 000's	12.31.19	12.31.18
TOD'S	3,741	3,741
HOGAN	80,309	80,309
FAY	53,185	53,185
Total	137,235	137,235

5.2 Other assets. The following table details the movements of these assets in the current and previous fiscal year:

euro 000's	Other trademarks	Software	Other assets	Contract with customers	Total
Balance as of 01.01.18	3,226	7,193	9,343	1,187	20,949
Increases	270	4,997	2,839	597	8,703
Decreases			(64)		(64)
Impairment losses					
Other changes					
Amortisation of the period	(768)	(3,476)	(2,237)	(677)	(7,157)
Balance as of 01.01.19	2,728	8,715	9,882	1,107	22,431
Increases	420	4,757	2,221	176	7,575
Decreases					
Impairment losses					
Other changes	20	1,596	(287)		1,329
Amortisation of the period	(726)	(4,706)	(2,390)	(585)	(8,407)
Balance as of 12.31.19	2,442	10,362	9,426	698	22,928

The increase of Other trademarks relates to long-term charges with a defined useful life incurred to protect the company-owned brands, which are classified as assets with an indefinite useful life.

The increases in the item of Software relate to the development of corporate Information Systems, among which those relating to the integration of the digital channel, while the increase recorded in Contract customers is mainly due to long-term investments made for the network of corners and franchising stores.

The item "Other assets" includes 5,234 thousand euros for the value of the intangible asset recognised in relation to the agreement made with the Ministry of Cultural Affairs (*Ministero per i Beni e le Attività Culturali*) and the Special Archaeological Service of Rome (*Soprintendenza speciale per i beni archeologici di Roma*), with which the Company has undertaken to finance the entire cost of restoration work on the Coliseum.

The asset is amortised over the useful life determined according to the provisions of the agreement. The accrual for amortisation allocable to the financial year is about 0.9 million euros. Other changes recorded in 2019 are mainly related to the effects arising from the merger of Del.Com.S.r.l. and Italiantouch S.r.l..

8. Tangible fixed assets

The following table illustrates the changes during the current and previous fiscal year.

euro 000's	Land and buildings	Plant and machin.	Equip.	Leasehold improv.	Others	Total
Balance as of 01.01.18	57,602	12,050	8,559	3,662	4,902	86,776
Increases	687	1,501	5,333	244	1,117	8,882
Decreases	(5)	(18)	(279)		(161)	(463)
Impairment losses (Note 9)						
Other changes						
Depreciation of the period	(1,931)	(2,361)	(4,552)	(733)	(1,283)	(10,860)
Balance as of 01.01.19	56,353	11,171	9,061	3,173	4,576	84,335
Increases	696	1,561	5,104	5,515	3,304	16,179
Decreases		(42)	(589)		(275)	(906)
Impairment losses (Note 9)						
Other changes	360	23	227	6,029	2,867	9,505
Depreciation of the period	(1,976)	(2,435)	(4,384)	(2,658)	(2,166)	(13,619)
Balance as of 12.31.19	55,432	10,278	9,421	12,058	8,306	95,494

Other changes recorded in 2019 mainly related to the effects arising from the merger of Del.Com.S.r.l. and Italiantouch S.r.l..

The increase in the item of Land and buildings and Plant and machinery relates to refurbishment works executed at the buildings where the Company's Headquarters are situated.

The increase in Equipment mainly relates to the procurement of ancillary industrial equipment for the creation of collections (shapes, dies and moulds).

Depreciation from continuing use of the fixed assets during the year amount to 13.6 million euros.

9. Impairment losses

The recoverability of the residual value of intangible assets with an indefinite useful life (brands and goodwill) was determined to ensure that assets with a value higher than the recoverable value were not recognised on the financial statements, which refers to their "value in use". The criterion used to determine "value in use" is based on the provisions of IAS 36, and is based on the current value of expected future cash flows (Discounted cash-flow analysis - DCF), which is presumed to derive from the continual use and disposal of an asset at the end of its useful life, discounted at a net discounting rate that reflects current market rates for borrowing money and the specific risk associated with the individual cash generating unit.

The recoverability was verified by comparing the net book values recorded in the financial statements with the recoverable value (value in use), consisting of the present value of future cash flows that are estimated to derive from the assets and related terminal values. With regard to the recoverability of the assets, the Company identified a single CGU and tested the Net Invested Capital (NIC), which included right-of-use assets recognised in the application of IFRS 16 as from the 2019 financial year.

The discounted cash flow analysis was carried out by using the FY 2020 budget as its basis. That budget was prepared and approved by the Board of Directors, on the assumption that the Company would be a going concern for the foreseeable future: the methods and assumptions used in developing the model were preliminarily subject to evaluation on the part of the executive bodies of the Company. In particular:

- i. medium-term budget data are forecast over a time horizon of four additional years using a 5% mean sales growth rate, a constant EBITDA margin and a constant tax rate, equal to 25.7%, the latter being determined as the average tax rate of the countries in which the Company operates, weighted by sales. Assumptions regarding the medium-term sales growth rate are made on the basis of reasonable growth estimates which also take into account the growth trends in the luxury sector as a whole in the foreseeable future;
- ii. the Terminal value was determined as perpetuity, using, for future forecasts, a medium- to long-term growth rate of 3%, determined as an average between the mean rate of inflation expected in the long term (2024) for the countries in which the Company operates, on the basis of the estimates performed by the International Monetary Fund, and the expected average growth rate in the sector, as inferred from a series of sector analyses;
- iii. to determine the "value in use," a WACC, net of tax, of 6.30% was used (the WACC rate used at December 31st, 2018 was 8.60%), determined according to the method set out in IAS 36, which, compared to the previous year, benefitted from a reduction in the free-risk rate, as a result of the present scenario of financial markets, as well as from a higher financial debt as a result of

the recognition of financial lease liabilities (Note 5).

An expected overall cash flow figure largely higher than the total amount of net invested capital (cover) emerged from the analyses of the recoverability of the Company's Assets (of which 137.2 million euros are made up of the owned trademarks and 13.7 million euros are made up of goodwill from business combination).

It should also be noted that, in carrying out the impairment test, the possible effects of the spread of the Covid-19 epidemic, which is affecting global markets, were not taken into account in the cash flows expected during the explicit period, since at present they are unpredictable, although certainly negative. However, it is believed that any possible adverse impact on cash flows in 2020 would be recoverable over a medium- to long-term period and, therefore, should not lead to appreciable effects on the conclusions of the test, since the latter are mainly influenced by the cash flows expected in the medium- to long-term period (perpetuity).

Moreover, the Company has in any case conducted the usual sensitivity analyses required by IAS 36, in order to reveal the effects produced on the "value in use" by a reasonable change in the basic assumptions (WACC, growth rates, EBITDA margin) and determination of the terminal value (disposal value of Group assets). From the analysis conducted, it is pointed out that, in order to render the "value in use" equal to the book value of Group assets (the breakeven hypothesis), a change would be required in the following parameters, as considered individually and the other parameters remaining equal: *i*) an increase of 8.6% in WACC, *ii*) a "g" rate used in the terminal value, negative for 0.5% *iii*) a growth rate of 1% in the explicit period.

Furthermore, in accordance with IAS 36, an estimate has been made of the recoverable value of each Company-owned brand, intangible assets with an indefinite useful life. The recoverable value is calculated by using, in principle, a market valuation approach, consisting of the application of the royalties method and using the following prudential assumptions:

- i. the medium-term projection of budget data is made over a further period of four years using an average sales growth rate equal to zero;
- ii. the terminal value has been determined using the perpetual annuity method, using a medium/long-term growth rate of 3% for future projections, determined as stated above;
- iii. a WACC, net of tax effect, equal to 7.30% has been used (against a WACC rate used at December 31st, 2018, equal to 8.60%), as increased, therefore, by 1% in order to reflect the riskiness of each stand-alone intangible asset with respect to the company as a whole.

The analysis carried out has not revealed any impairment since the net book value of each brand is within the range of values determined for the relative recoverable value.

In this case too, sensitivity analyses have been carried out in order to highlight the effects on the "value in use" caused by a reasonable change in the basic assumptions (WACC, growth rates,

EBITDA margin). From the analysis carried out, it should be noted that, with reference to the FAY brand, changes would need to be made, in order to make the recoverable value equal to the book value (break-even hypothesis), in the following parameters, as considered individually and the other parameters remaining equal: i) an increase in WACC of 10.2%, ii) a "g" rate used in the terminal value, negative for 0.8%, iii) a rate of change in the explicit period, negative for 13%. With reference to the TOD'S and HOGAN brands, sensitivity analysis has shown that in order to determine a break even situation, changes in parameters should be considered which are completely unrealistic.

Furthermore, an estimate has been made for the recoverable amount of equity investments in subsidiaries (worth 505.7 million euros at December 31st, 2019), in accordance with IAS 36, regarding the investments with impairment indicators. Based on results, the carrying amount of the investments in subsidiaries Tod's Danmark APS and Filangieri 29 S.r.l. has been impaired for 25 thousand euros and 750 thousand euros, respectively, because it's not reasonably predictable, as of today, to recover the carrying amount with future cash flows.

Finally, the Company conducted an analysis to assess the recoverability of right-of-use assets and tangible and intangible assets attributable to the individual directly operated stores (DOS), which have recorded impairment indicators. This analysis has shown no necessary write-downs for impairment losses.

In addition, it should be noted that the market capitalisation value of TOD'S S.p.A. at December 31st, 2019 was about 1,364 million euros, higher than the value of the Company's equity at the same date. On the other hand, the spread of the Covid-19 virus has had a very significant impact on financial markets, with a consequent decline in valuations. As a result, the Company's market capitalisation at the reporting date (March 30th, 2020) was 955.7 million euros. Given the extraordinary nature of this collapse in the main international financial markets, as well as the results of the impairment test mentioned above, the management believes that this valuation is essentially temporary only and does not represent the actual value of the Company.

10. Investments property

The residual value of investment property at December 31st, 2019 is equal to euro 15 thousand. It consisted exclusively of real estate leased to third parties. The fair value of these investments is estimated to be euro 250 thousand, according to the market prices for similar properties available for rent at similar conditions.

The following table details the values of these investment property:

euro 000's	
Historic cost	115
Accumulated depreciation	(96)
Balance as of 01.01.19	18
Increases	
Decreases	
Amortisation of the period	(3)
Balance as of 12.31.19	15

11. Investments in subsidiaries, joint ventures and associated companies

Information about the subsidiaries follows below, together with a comparison between the carrying amount of the investments in subsidiaries and the respective value determined according to the equity method:

Investments in subsidiaries	Percentage of share investment	Share capital	a) Measurement using equity method adjustmens	b) of which profit/(loss)	Carrying amount	a) - b)
Investments in subsidiaries						
TOD'S Deutschland Gmbh	100%	153	15,203	322	3,153	12,050
TOD'S France Sas	100%	780	21,228	309	4,800	16,427
TOD'S Hong Kong Ltd	1%	12,209	1,057	(73)	129	928
Un. Del. Kft	10%	163	80	30	18	62
TOD'S Macao Lda.	1%	1,846	18	(19)	19	(0)
TOD'S International BV	100%	2,600	153,689	(16,240)	36,171	117,519
An.Del. Inc.	100%	3,056	16,350	(15,814)	38,085	(21,736)
Roger Vivier S.p.A.	100%	10,000	493,893	19,637	415,479	78,414
TOD'S Danmark APS	100%	67	0	(25)	0	0
TOD'S Austria Gmbh	100%	50	279	(17)	50	229
TOD'S Australia Pty Ltd.	100%	2,089	723	(1,175)	2,089	(1,366)
Del.pav S.r.l.	100%	50	815	(644)	2,375	(1,560)
FILANGIERI 29 s.r.l.	100%	100	135	(419)	0	135
RE.SE.DEL srl	100%	25	483	(65)	325	158
Italiantouch Shanghai Tr. Co.	100%	2,697	1,839	228	2,875	(1,036)
Total			705,791	(13,965)	505,568	200,223
Investments in other entities						
Other investments		n.s.			131	
Total					131	
Total investments					505,699	

The changes that affected the investments held in subsidiaries in 2019 were as follows:

- Merger by incorporation of Del.Com. S.r.l., wholly owned by TOD'S S.p.A., which took place by a deed dated December 23rd, 2019 and which became effective from December 31st,

2019. For accounting and tax purposes, the effects of the abovementioned merger were charged to the merging company's financial statements as from January 1st, 2019;

- Merger by incorporation of Italiantouch S.r.l., wholly owned by TOD'S S.p.A., which took place by a deed dated November 19th, 2019 and which became effective from December 31st, 2019. For accounting and tax purposes, the effects of the abovementioned merger were charged to the merging company's financial statements as from January 1st, 2019;

Cross-border merger by incorporation of Holpaf B.V., a Dutch company that is wholly owned by TOD'S S.p.A., which took place by a deed dated December 9th, 2019. For accounting and tax purposes, the effects of the abovementioned merger were charged to the merging company's financial statements as from the date of registration of the abovementioned deed of merger with the register of companies, i.e. from December 9th, 2019.

Furthermore, an estimate has been made for the recoverable amount of equity investments in accordance with IAS 36, regarding the investments with impairment indicators. Based on the results of the impairment test, the carrying amount of the investments in subsidiaries Tod's Danmark APS and Filangieri 29 S.r.l. has been impaired for 25 thousand euros and 750 thousand euros, respectively (Note 9).

12. Deferred taxes

At the reporting date, recognition of the effects of deferred tax assets/liabilities, shows a net balance (liability) of 5,816 thousand euros (FY 2018: liability for 16,261 thousand euros).

When determining future tax impact, reference was made to the presumed percentage weight of the taxes that will be imposed on income in the years when those taxes will be charged. The balance of deferred tax assets and liabilities is shown in the following table, highlighting those components that contributed to their formation:

euro 000's	12.31.19	12.31.18
	Net liabilities	Net liabilities
Property, plant and equipment	2,026	2,185
Intangible fixed assets	37,332	36,670
Inventory (devaluation)	(16,135)	(14,558)
Derivative financial instruments	(1,218)	(144)
Costs deductible over several years	(5,671)	(6,159)
Reserves for employees	(556)	(275)
Provisions for risks and charges	(740)	(547)
Other	(1,106)	(913)
Fiscal losses to carry forward	(8,115)	
Total	5,816	16,261

The merger transactions referred to in Note 11 entailed the recognition of higher deferred tax assets of about 850 thousand euros, mainly attributable to the intangible assets of the merged company Del.Com. S.r.l..

13. Other non-current assets

The figure Other non-current assets is mainly related to receivables versus tax authorities to be refunded and the following medium/long-term loans lent to the following subsidiaries:

- a loan with a duration of 5 years, lent to the controlled company TOD'S Australia PTY Ltd on September 21st, 2018 for 550 thousand AUD (342 thousand euros), which will be all reimbursed at the expiring date. The loan bears quarterly interests computed on a variable rate at a market condition;
- a 5-year term loan granted to subsidiary TOD'S Australia PTY Ltd. On January 14th, 2019 for an amount equal to 2.5 million AUD (1,575 thousand euros), which may be repaid in a single payment at maturity, on which interest accrues which is calculated quarterly on the basis of the variable market rate;
- a loan with a duration of 5 years, lent to the controlled company TOD'S Austria GmbH on November 21st, 2018 for 2.3 million euros, which will be all reimbursed at the expiring date. The loan bears quarterly interests computed on a variable rate at a market condition;
- a 5-year term loan which has been taken over by the Company as a result of the merger with Del.Com S.r.l. (Note 11). The loan receivable is claimed from subsidiary Del.Pav S.r.l. for an amount of 1.4 million euros, which may be repaid in a single payment at maturity (June 2023), on which interest accrues which is calculated quarterly on the basis of the variable market rate;
- loan which the Company took over as a result of the merger with Italiantouch S.r.l. (Note 11).

The loan is due to the subsidiary Italiantouch USA Inc. for an amount equal to 2.0 million usd (1.7 million euros), on which annual interest accrued calculated by applying the variable market rate.

14. Inventories

The following table shows the book value of the inventories:

euro 000's	12.31.19	12.31.18	Change
Raw materials	65,831	61,408	4,423
Semi-finished goods	10,506	11,026	(519)
Finished products	233,493	212,710	20,783
Write-downs	(57,524)	(51,866)	(5,658)
Total	252,306	233,277	19,028

The increase in finished products is attributable for 15 million euro to the inventories of products contributed by subsidiary Del.Com. S.r.l. as a result of the abovementioned merger by incorporation (Note 11).

The allowance for inventory write-downs reasonably reflects the technical and stylistic obsolescence of the Group's inventories at December 31st, 2019. The table below shows changes occurred during the year of the inventory write-down provision:

euro 000's	12.31.19	12.31.18
Opening balance	51,866	47,275
Increase	8,070	8,488
Utilization	(3,322)	(3,897)
Reversal		
Other	910	
Closing balance	57,524	51,866

Other changes are attributable to the already mentioned merger with subsidiaries Del.Com S.r.l. and Italianantouch S.r.l. (Note 11).

15. Trade receivables and other current assets

15.1 Trade receivables.

euro 000's	12.31.19	12.31.18	Change
Third parties	72,432	79,534	(7,103)
Subsidiaries	119,572	138,448	(18,876)
Allowances for doubtful accounts	(5,941)	(6,407)	466
Net trade receivables	186,062	211,575	(25,513)

The reduction in receivables from subsidiaries is mainly attributable to the mergers by incorporation that took place with subsidiaries Del.Com S.r.l. and Italianantouch S.r.l. (Note 11).

Receivables from third parties. These represent the credit exposure stemming from sales made through the wholesale channel.

Receivables from subsidiaries. They include the Company's receivables from Group entities and stem primarily from commercial transactions and, to a lesser extent, provision of services.

Allowances for bad debts. The allowances for doubtful accounts represent the reasonable estimate of impairment due to the expected losses arising from the risk of not being able to collect the trade receivables recognised on the financial statements. The changes in the allowances for bad debts are illustrated as follows:

euro 000's	12.31.19	12.31.18
Balance as of 01.01.19	6,407	6,194
Increase	700	800
Decrease	(1,166)	(587)
Balance as of 12.31.19	5,941	6,407

15.2 Tax receivables. They amounted to 9 thousand euros (2018: 11 thousand euros) and mainly consisted of receivables for tax consolidation. This item had also included the excess income tax advances paid in the previous year.

15.3 Other.

euro 000's	12.31.19	12.31.18	Change
Prepaid expenses	2,549	3,427	(878)
Financial assets	308	9,200	(8,892)
Others	71,760	31,841	39,919
Total	74,617	44,468	30,149

The item "Others" mainly relates to receivables versus manufacturers for the raw materials sold in connection with manufacturing activities, receivables for credit cards, receivables for value added taxes (VAT) and other receivables to be collected next year. The significant increase in "Others" is mainly attributable to the receivable that TOD'S S.p.A. claims from subsidiary Roger Vivier S.p.A. in relation to the dividend resolved for 24 million euros and not yet paid as at December 31st, 2019. Furthermore, it should be noted that the item of "Others" recorded an overall increase, compared to 2018 for VAT receivables, equal to 18.7 million euros, of which an amount of about 6.8 million euros attributable to the already mentioned merger transactions (Note 11).

Financial assets are comprised exclusively by loans granted to the Group's companies:

euro 000's	12.31.19	12.31.18	Change
Financing within 12 months		9,200	(9,200)
Current account overdraft	308		308
Total current assets	308	9,200	(8,892)
Financing beyond 12 months	7,348	2,639	4,709
Total financial assets	7,656	11,839	(4,183)

16. Derivative financial instruments

The Company is exposed to both exchange rate risk, principally for revenues denominated in currencies other than the euro (see Note 4), and interest rate risk limited to its variable-rate debt instruments. The principal currencies that pose this risk are the U.S. dollar, Chinese yuan, Hong Kong dollar, Swiss franc, and British pound. In order to realise the objectives envisaged by the Risk Management policy, the Company enters in derivative contracts with primary banks for the hedging of the above mentioned risks; in particular, in connection with exchange rate risk, the Company entered in sell and/or buy foreign currency contracts (forward), while for the hedging of a variable interest rate risk, the Group entered in interest rate swaps agreements.

Moreover, the Company is exposed to exchange rate risk related to intercompany financial flows with subsidiaries with functional currencies different from euro (Note 4). These risks are managed by the Company 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.

Forward contracts have been put in place, 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.

At the closing date, the notional amount of the currency forward sales and purchase agreements are summarized as follows:

Currency 000's	Sale		Purchase	
	Notional currency	Notional euro	Notional currency	Notional euro
US Dollar	65,200	58,038		
Hong Kong Dollar	464,000	53,045		
Japanese Yen				
British Pound	26,900	31,617		
Swiss Franc	6,850	6,311		
Chinese Renmimbi	629,000	80,430		
Canadian dollar	5,100	3,494		
Australian dollar	150	94		
Total		233,028		

All derivative contracts will expire during the year 2020.

Below is summarized the composition of the outstanding derivatives at December 31st, 2019 and 2018, with information related to carrying amounts, current and non-current, in connection with fair value and cash flow hedge reserve, the latter presented net of its related tax effects.

euro 000's	12.31.19			12.31.18		
	Assets	Liabilities	Hedging Reserve	Assets	Liabilities	Hedging Reserve
<i>Non-current</i>						
Interest rate swaps - cash flow hedges	225	(52)		672	(340)	
Forward foreign exchange contracts - cash flow hedges						
Forward foreign exchange contracts - fair value hedges						
Total non-current	-	225	(52)	-	672	(340)
<i>Current</i>						
Interest rate swaps - cash flow hedges	706	(537)		1,015	(771)	
Forward foreign exchange contracts - cash flow hedges	675	821	460	884	568	655
Forward foreign exchange contracts - fair value hedges	571	659		423	1,258	
Total current	1,246	2,186	(77)	1,307	2,841	(116)
Total	1,246	2,411	(128)	1,307	3,513	(456)

It should be noted that the release of the cash flow hedge reserve used for the hedging of exchange risk amounted to 1,455 thousand euros, of which an amount of 1,594 thousand euros taken as a reduction in revenues and an amount of 138 thousand euros recognised as a reduction in the value of the investment held in subsidiary Holpaf B.V. and, subsequently, reclassified to

equity reserves as a result of the merger by incorporation of Holpaf B.V., which became effective for accounting and tax purposes as from December 9th, 2019 (Note 11).

The overall effect recognised in the income statement in connection with derivatives for the hedging of interest rate risk amounted to 1,025 thousand euros, totally represented in the financial expenses.

17. Cash and cash equivalents

Cash and cash equivalents are related to cash and bank deposits for 86,426 thousand euros (66,703 thousand euros at December 31st, 2018). For further information see the statement of cash flows.

18. Shareholders' equity

18.1 Share Capital. At 31 December 2019, the share capital of the Company amounted to 66,187,078 euros, unchanged compared to the previous year, divided into 33,093,539 ordinary shares, all of which are of no par value, and fully subscribed and paid up; all shares have equal rights in terms of profit sharing. There are no categories of shares other than ordinary shares. Article 7 of the Articles of Association provides for increased voting in compliance with the provisions of Article 127-quinquies of the Consolidation Act on Finance (TUF, *Testo Unico della Finanza*). For further information, reference should be made to the Regulation on increased voting, which is available in the "Corporate Governance/Loyalty Shares" section of the Company's website www.todsgroup.com. The total amount of voting rights is regularly published by the Company in accordance with the terms and conditions of Article 85-bis of CONSOB Regulation no. 11971/1999. At December 31st, 2019, Mr. Diego Della Valle, President of the Board of Directors, hold, directly and indirectly, 70.440% of TOD'S S.p.A. share capital. At December 31st, 2019 the Company did not own treasury shares, and it did not execute any transactions on those shares during the year.

18.2 Capital reserves. Capital reserves are exclusively related to share premium reserve, amounting to 416,507 thousand of euros as of December 31st, 2019 (416,507 thousand of euros as of December 31st, 2018).

18.3 Hedging reserve. The following schedule illustrates the changes occurred in 2019:

euro 000's	Hedging reserve
Balance as of 01.01.18	(186)
Change in fair value of hedging derivatives	451
Transfer to Profit and Loss Account of hedging derivatives	(721)
Other	
Balance as of 01.01.19	(456)
Change in fair value of hedging derivatives	(1,557)
Transfer to Profit and Loss Account of hedging derivatives	2,023
Other	(138)
Balance as of 12.31.19	(128)

For comments related to the changes of hedging reserve please see Note 16.

18.4 Other reserves and profit for the period. The following schedule illustrates the changes in fiscal 2019:

euro 000's	Other reserves	Profit (loss) of the period	Total
Balance as of 01.01.18	336,183	84,977	421,160
Allocation of 2017 result	38,646	(38,646)	
Dividends		(46,331)	(46,331)
Profit for the period		68,696	68,696
Other changes	(538)		(538)
Balance as of 01.01.19	374,291	68,696	442,987
Allocation of 2018 result	35,602	(35,602)	
Dividends		(33,094)	(33,094)
Profit for the period		30,344	30,344
Other changes	36,179		36,179
Balance as of 12.31.19	446,072	30,344	476,416

Other changes for the year 2019 are mainly related to the net surplus arising from the three mergers by incorporation, which took place in 2019, totalling 37,034 thousand euros.

Furthermore, other changes consist of the use of the reserve set aside for promoting local solidarity projects, equal to 465 thousand euros at December 31th, 2019, and the recognition of actuarial gains/(losses) accrued in the period (IAS 19).

18.5 Information on distributable reserves. The following table provides information on the possible use and distribution of each specific account under shareholders' equity and their possible use during the past three years:

euro 000's		Use in the previous 3 years				
Nature/Description	Amount	Possibility of use	Available amount	Not available amount	coverage of losses	others
Share capital	66,187			66,187		
Capital reserves						
Share premium reserve	416,507	A,B,C ⁽¹⁾	416,507			
Avanzo di fusione	739	A,B,C	739			
Retained earnings reserves						
Legal reserve	13,237	B	13,237			
Retained earnings /(losses)	397,153	A,B,C	397,153			137,699
Differences from mergers - other transactions under common control	36,295	A,B,C	36,295			
Other profits/(losses) in OCI	(1,480)			(1,480)		
Total share capital and reserves	928,639		863,932	64,707		
Non-distributable reserves						
Residual distributable reserves			863,932			

⁽¹⁾ Pursuant to section 2431 Italian Civil code, to entire amount of the reserve may be distributed only when the legal reserve has reached the limits set forth in Section 2430 Italian Civil code
A – for capital increase.
B – for coverage of losses.
C – for distribution to shareholders.

Tax suspension reserves, The following information is provided on reserves in shareholders' equity that, if distributed, will constitute taxable income for the company, in connection with the situation following the capital transactions carried out pursuant to the August 5th, 2000 resolution of the extraordinary Shareholders' Meeting:

- for the reserves in equity, only the extraordinary reserve remains; formed with income that was regularly subjected to taxation, it would not constitute taxable income for the company were it to be distributed;
- previously defined reserves have been converted into the form of share capital, as follows:

euro	
Reserve for adjustments art. 15 c. 10 DL 429/82	149,256.04
Reserve for greater deduction of VAT	508.19
Reserve for inflation adjustments pursuant to Law n. 72/'83	81,837.76
Reserve for deduction art. 14 c. 3 – Law n. 64/'86	5,783.80

for a total of euro 237,385.80, which, if distributed, would represent taxable income for the company.

18.6 Dividends. In execution of a resolution by the Shareholders' Meeting of April 18th, 2019, the Company paid the shareholders dividends in May for the net income realised in 2018. The aggregate amount of the dividends paid is 33,093,539 euros, at the rate of 1.0 euros for each of the 33,093,539 shares representing the share capital at the coupon detachment date (May 20th, 2019).

19. Provisions and contingent liabilities and assets

19.1 Provisions. They include the estimate of liabilities, with uncertain maturity date or amount, on which the Company might incur in case of a legal or constructive obligation in connection with a past event. The figures mainly include provisions related to both legal and tax lawsuits and risks and costs for employees. The table below shows the changes of provisions occurred during the period:

euro 000's	12.31.19	12.31.18
Provisions for risks - non current		
Opening balance	5,394	5,210
Increase	77	204
Utilization		
Reversal	(236)	
Other	677	(20)
Closing balance	5,912	5,394
Provisions for risks - current		
Opening balance	655	3,485
Increase	380	20
Utilization	(326)	(2,870)
Reversal		
Other	20	
Closing balance	710	655

Other changes recorded in the period mainly relate to the restatement of estimated accruals of restoration costs, on lease agreements, made upon the first-time adoption of IFRS 16.

19.2 Contingent liabilities and other commitments

i. **Guarantees granted to others.** A total of euro 61,676 thousand euros have been granted to others at December 31st, 2019 (54,078 thousand euros in 2017). The amount is mainly related to guarantees granted to secure the contractual commitments of subsidiaries, comprised for 57,166

thousand euros to bank credit lines provided to the subsidiaries, for which the company acts as guarantor (FY 2018: 48,489 thousand euros).

ii. **Guarantees received from third parties.** Guarantees received by the company from banks as security for contractual commitments totalled 15,587 thousand euros (15,064 thousand euros in 2018).

20. Employee benefits

The main actuarial assumptions used for the computation of TFR (termination benefit provided by Italian law on behalf of the Company employees) are summarized below:

- Discounting rate: 0.77%
It is related to the average yield curve from IBOXX Eurozone Corporates AA of December 2019.
- Inflation rate: 1.20%;
- TFR incremental rate: 2.4%.

The table below shows the variation of the liability occurred in 2019:

euro 000's	Year 2019	Year 2018
Opening balance	7,033	7,339
Service costs	78	98
Interest costs	129	98
Benefits paid	(464)	(248)
Actuarial (gains)/losses	371	(156)
Other	1,033	(156)
Closing balance	8,179	7,033

Other changes include the effects arising from the merger transactions that took place in the year (Note 11).

Employee benefits include even other long term employee benefits.

21. Financial liabilities

euro 000's	12.31.19	12.31.18	Change
Current account overdraft	63	63	63
Financing	171,783	237,665	(65,881)
Total	171,846	237,665	(65,819)

Currency 000's	Counterpart	Currency	Maturity	Res. Debt in currency	Res. Debt in euros
Type					
Medium and long term bank pool loan	Mediobanca - Crédit Agricole	Eur	2021	69,698	69,698
Medium and long term loan	Banca Nazionale del lavoro S.p.A.	Eur	2022	18,752	18,752
Medium and long term loan	Intesa SanPaolo S.p.A.	Eur	2021	83,333	83,333
Total financing					171,783

The medium and long term bank pool loan is related to the financing agreement signed on July 2014 by TOD'S S.p.A. and Mediobanca/Crédit Agricole, which has a variable interest rate equal to EURIBOR 3M + 55 basis points. The loan was hedged with two derivative contracts (interest rate swaps - IRSs) for the same notional amount and duration (Note 16). The duration of such loan is 7 years from the signing date (July 2014) and it will be refunded on a quarterly basis.

The medium and long term loan with BNL S.p.A. (BNP Paribas Group) is related to a loan agreement signed on December 21st 2018 for an amount of 25 million euros with 16 quarterly reimbursements in arrears and the expiry date is December 21st 2022. Interests rate is equal to the EURIBOR 3M +0.7%.

The medium and long term loan with Intesa SanPaolo S.p.A. is related to a loan agreement signed on December 21st 2018 for an amount of 125 million euros with 6 biannual reimbursements in advance and the expiry date is December 31st 2021. Interests rate is equal to the EURIBOR 6M +0.7%.

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	Limit at 31 st December
Mediobanca/Crédit Agricole	Net financial liabilities/EBITDA	≤ 3.5
Banca Nazionale del Lavoro S.p.A.	Net financial liabilities/EBITDA	≤ 3.0
Intesa SanPaolo S.p.A.	Net financial liabilities/EBITDA	≤ 3.0

The parameters indicated above are constantly monitored by the Company, and all financial covenants are fulfilled at December 31st, 2019.

The table below illustrates the breakdown of financial liabilities, which include the accrual for interests at the reporting date.

euro 000's	Medium and long term loan (BNL)	Medium and long term loan (Intesa)	Medium and long term pool loan (Mediobanca/Crédit Agricole)	Total
2020	6,250	41,667	40,000	87,917
2021	6,250	41,667	30,000	77,917
2022	6,250			6,250
2023				
Over 5 years				
Total	18,750	83,333	70,000	172,083
Accruals and amortized cost	2		(302)	(300)
Total	18,752	83,333	69,698	171,783

For the sensitivity analysis on interest rates (IFRS 7) and the disclosures on further financing agreements related to credit lines available for the Company, but not yet used at December 31st, 2019, see Note 4.

22. Lease liabilities

Lease liabilities totalled 158.4 thousand euros at December 31st, 2019 and were recognised at the present value of fixed lease payments not yet made, as discounted using the incremental borrowing rate as stated in Note 5.

The table below summarises the changes in the nominal value of the lease liability, which does not include accrued interest:

euro 000's	12.31.19	12.31.18
Amounts at inception 01.01.2019	174,625	
Increases	3,212	
Payments	(20,543)	
Translation differences		
Other changes		
Total	157,293	

Accrued interest amounted to 1,062 thousand euros at December 31st, 2019.

23. Other non-current liabilities

The balance for this item, 14 million euros (14.5 million euros at December 31st, 2018), refers for about 8.5 million euros to the liability recognised in relation to the agreement made for financing the restoration work of the Coliseum (Note 7), for 4.5 million euros to the non-current part of the return reserve and for 1 million euros to other non-current liabilities. The liability in relation

to the Coliseum was recognised at the discounted value of the financial outlays that are reasonably foreseeable on the basis of the multi-year plan for restoration work.

24. Trade payables and other current liabilities

24.1 Trade payables.

euro 000's	12.31.19	12.31.18	Change
Third parties	115,387	118,954	(3,567)
Subsidiaries	22,346	26,711	(4,365)
Total	137,733	145,665	(7,932)

The decrease in trade payables was due to the normal performance of operations.

To Third parties. These stem exclusively from commercial transactions as part of ordinary processes for purchase of goods and services.

To subsidiaries. These represent payables to Group entities, principally for provision of services.

24.2 Tax payable.

At December 31st, 2019 tax payables are 13,194 thousand euros (6,142 thousand euros in 2018) and they mainly relate to corporate income taxes net of tax installments already paid.

24.3 Other.

euro 000's	12.31. 19	12.31. 18	Change
Payables to employees	8,388	6,755	1,632
Social security institutions	5,607	4,720	887
Others	49,918	54,042	(4,123)
Total	63,913	65,516	(1,604)

Payables to employees reflected amounts accrued in their favor (including unused holiday leave) that had not yet been paid at the reporting date. Other liabilities is mainly related to advance from customers for 2.7 million euros, the current portion of estimated returns at the end of the financial year for 42.6 million euros, and other liabilities for 4.6 million euros.

25. Revenues

Net sales during the year totalled 606.8 million euros (636.9 million euros in 2018). For further comments on sales revenues see the report on operations.

The item "Other revenues and income" amounts 7 million euros (6.2 million euros in 2018) and it mainly includes active royalties, extraordinary income and insurance reimbursements.

26. Personnel costs

The personnel costs incurred by the Group in FY 2019 as compared with those for FY 2018 are illustrated as follows:

euro 000's				% on revenues	
	Year 2019	Year 2018	Change	2019	2018
Wages and salaries	77,890	65,186	12,704	12.8	10.2
Social security contribution	23,975	19,289	4,686	4.0	3.0
Employee sev. indemn.	5,223	4,229	995	0.9	0.7
Total	107,088	88,704	18,384	17.6	13.9

The increase in respect to the previous year is due to the merger transactions that took place in the year for 15,030 thousand euros (Note 11).

The following table illustrates the breakdown of the Group's employees by category:

	12.31.19	12.31.18	Aver. 19	Aver. 18
Executives	44	43	44	42
White-collar Employees	826	820	837	840
Blue-collar Employees	959	939	951	930
Total	1,829	1,802	1,831	1,813

27. Financial income and expenses

The breakdown of financial income and expenses in fiscal FY 2019 is as follows:

euro 000's	Year 2019	Year 2018	Change
Income			
Interest income on current account	71	170	(99)
Foreign exchange gains	15,328	14,286	1,042
Other	439	234	205
Total income	15,838	14,689	1,149
Expenses			
Interest on medium-long term financing	(1,433)	(642)	(791)
Foreign exchange losses	(21,073)	(16,691)	(4,382)
Other	(8,673)	(2,491)	(6,182)
Total expenses	(31,180)	(19,824)	(11,356)
Total net income and expenses	(15,341)	(5,135)	(10,206)

Other financial expenses include interest expenses relating to the discounting-back of liabilities for leased assets in accordance with IFRS 16 for 6,309 thousand euros.

28. Income and expenses from subsidiaries

During the year, the Company recognised income from dividends from Subsidiaries Roger Vivier S.p.A., Tod's International B.V. and Tod's Hong Kong Ltd. for 24 million euros, 11 million euros and 69 thousand euros, respectively. The dividends resolved by Roger Vivier S.p.A. on December 23rd, 2019, recognised on an accruals basis, were collected in January 2020.

It is highlighted that, as a consequence of the impairment test on equity investments of controlled entities, the Company written off the controlling investments held in TOD'S Danmark APS and Filangieri 29 S.r.l. for 25 thousand euros and 750 thousand euros, respectively (Note 9).

29. Income taxes

Income taxes (both current and deferred) accrued in 2019 posted an overall positive value of 5.1 million euros, as a result of the recognition of deferred tax assets on the tax loss for the year.

Income taxes for the period are broken down into current and deferred taxes, as follows:

euro 000's	Year 19	Year 18	Change
Current taxes	(250)	16,860	(17,110)
Deferred taxes	(4,881)	5,094	(9,975)
Total	(5,131)	21,954	(27,085)

The theoretical tax rate for FY 2019 was 24% computed applying the current rates for IRES (income tax on company's profits). The following schedule reconciles theoretical taxes and the taxes actually charged to income:

euro mn	Taxes	Rate %
Theoretical income taxes at the rate of parent company	6,051	24,0%
IRAP effect	214	0,8%
Tax effects of non-deductible expenses	444	1,8%
Non-taxable revenues	(9,284)	(36,8%)
Other	643	2,6%
Previous year taxes	(463)	(1,8%)
Patent box effect (IRES)	(2,736)	(10,9%)
Effective income taxes	(5,131)	(20,3%)

The tax effect of the so-called "Patent box" is related to the agreement signed by the Parent company on December 23rd, 2016 with the competent office of the Italian Tax Authority, with which it's been defined the methods and criteria used to calculate the amount of the quota of income exempt from income taxes for the purpose of the so-called "Patent box" regime. This is a tax relief regime for the benefit of Italian companies that produce income through the direct use or the licensing to third parties of intellectual property rights.

Tax consolidation program. The company, exercising the option envisaged by the new version of the TUIR and the implementing decree pursuant to ex Art. 129, together with the Italian subsidiaries that are presumably subject to a controlling relationship pursuant to ex Art. 120 TUIR, decided to have the Group participate in the national tax consolidation program for IRES. According to this law, TOD'S S.p.A., as controlling company, has aggregated its income with that of the subsidiaries participating in the national tax consolidation program since fiscal 2004. It does so by fully offsetting all the positive and negative taxable amounts, thereby benefiting from any losses contributed by the subsidiaries and assuming the expenses transferred from those subsidiaries with positive taxable income.

TOD'S S.p.A. essentially acts as a "clearing house" for taxable income (profits and losses) of all Group companies participating in the tax consolidation program, as well as financial relationships with revenue agency offices. At the same time, it recognizes liabilities or credits vis-à-vis those subsidiaries that produced tax losses and those that, on the contrary, transferred taxable income. Independently of the taxes that are paid, the company's net result is impacted exclusively by the income taxes accrued on its own taxable income.

It should be noted that the wholly-owned subsidiary Del.Pav.S.r.l. also joined the tax consolidation scheme as from the financial year ended December 31st, 2019.

30. Earnings per share

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

i. Reference profit.

euro 000's	Year 19	Year 18
For continuing operations	30,344	68,696
Profit used to determine basic earning per share	30,344	68,696
Dilution effects		
Profit used to determine diluted earning per share	30,344	68,696

euro 000's	Year 19	Year 18
For continuing operations	30,344	68,696
Net profit of the year	30,344	68,696
Income (loss) from discontinued operations		
Profit used to determine basic earning per share	30,344	68,696
Dilution effects		
Profit used to determine diluted earning per share	30,344	68,696

ii. Reference number of shares.

	Year 19	Year 18
Weighted average number of shares to determine basic earning per share	33,093,539	33,093,539
Share options		
Weighted average number of shares to determine diluted earning per share	33,093,539	33,093,539

iii. **Base earnings per share.** Calculation of the base earning per share for fiscal year 2019 is based on the net profit attributable to holders of ordinary shares of the company TOD'S S.p.A., totalling 30,344 thousand euros (68,696 thousand euros in 2018), and on the average number of ordinary shares outstanding during the same period, totalling 33,093,539 (unchanged in respect to 2018).

iv. **Diluted earnings per share.** Calculation of the diluted earnings per share for the period January-December 2019 is the same as the base earnings per share, due to the fact that there are no items which produce dilution effects.

31. Transactions with related parties

The Company'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 12th, 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 S.p.A. – were executed solely on behalf of the company by applying contractual conditions consistent with those that can theoretically be obtained on an arm's length basis.

Most significant transactions concluded during the year

It should be noted that, during 2019, the following merger transactions were carried out, which can be described as related-party transactions:

- Merger by incorporation of Del.Com. S.r.l., wholly owned by TOD'S S.p.A., which took place by a deed dated December 23rd, 2019 and which became effective from December 31st, 2019. For accounting and tax purposes, the effects of the abovementioned merger were charged to the merging company's financial statements as from January 1st, 2019;
- Merger by incorporation of Italiantouch S.r.l., wholly owned by TOD'S S.p.A., which took place by a deed dated November 19th, 2019 and which became effective from December 31st, 2019. For accounting and tax purposes, the effects of the abovementioned merger were charged to the merging company's financial statements as from January 1st, 2019;

- Cross-border merger by incorporation of Holpaf B.V., a Dutch company that is wholly owned by TOD'S S.p.A., which took place by a deed dated December 9th, 2019. For accounting and tax purposes, the effects of the abovementioned merger were charged to the merging company's financial statements as from the date of registration of the abovementioned deed of merger with the register of companies, i.e. from December 9th, 2019.

Although the three mergers constitute transactions with "related parties" in accordance with law, they are exonerated from applying the related procedure adopted by the Company according to art. 9.1.a) thereof, since the Issuer put them in hand with wholly-owned subsidiaries without there being any other related parties having any significant interest in the transactions.

These transactions are then described as transactions of "minor significance" according to art. 7 of the Regulation on Related-Party Transactions and art. 4 of the Procedure on related Parties Transactions..

Related party transactions pending at December 31st, 2019

In continuation of contractual relationships already existing in 2018, the Company continued to maintain a series of contractual relationship with related parties (directors/controlling or significant shareholders) in 2019. The principal object of the transactions of the year 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 – Revenues

euro 000's	Sales of Product	Rendering of services	Royalties	Operating lease	Other operation
Year 2019					
Parent Company (*)	52			5	95
Directors					
Exec. with strat. respons.					
Total	52			5	95
Year 2018					
Parent Company (*)	10,865			5	
Directors					
Exec. with strat. respons.					
Total	10,865			5	-

ii. Commercial transactions with related parties – Costs

euro 000's	Purchases of of services	Rendering of services	Royalties	Operating lease	Other operations
Year 2019					
Parent Company (*)		208		4,969	10
Directors					
Exec. with strat. respons.					
Total	-	208	-	4,969	10
Year 2018					
Parent Company (*)	271	280		3,748	
Directors					
Exec. with strat. respons.					
Total	271	280	-	3,748	-

iii. Commercial transactions with related parties – Receivables and payables

euro 000's	12.31.19				12.31.18			
	Asset		Liabilities		Asset		Liabilities	
	Right of use	Trade Receivables	Leasing liability	Trade Payables	Right of use	Trade Receivables	Leasing liability	Trade Payables
Parent Company (*)	16,883	2	17,166	82		2		116
Total	16,883	2	17,166	82	-	2	-	116

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

Due to the fact that the above mentioned amounts are not significant, the disclosure hasn't been provided separately in the face of the financial statements in accordance with CONSOB resolution n. 155519 of July 27th, 2006.

Compensation of Directors, Statutory Auditors, and General Managers

The following table illustrates the compensation accrued in fiscal 2019 by each of the Directors, Statutory Auditors, Executives with Strategic Responsibilities of TOD'S S.p.A. (including for the activities that they performed at subsidiaries) for any reason and in any form:

euro 000's	Compensation for office	Compensat. for part. in Commit.	Non cash benefits	Bonus and other incentives	Compens. as employ.	Other compens.
Directors						
Diego Della Valle (*)	1,838.8	10.4				
Andrea Della Valle (**)	1,238.5	10.1				
Luigi Abete	38.5	9.4				
Maurizio Boscarato	38.8	10.8			220.0	⁽²⁾
Marilù Capparelli	38.5					
Sveva Dalmasso	38.8	19.4				
Emanuele Della Valle	36.0					
Gabriele Del Torchio	38.1					
Romina Guglielmetti	38.8	20.8			10.8	⁽⁴⁾
Umberto Macchi di Cellere (***)	243.5	10.4	4.0	70.0	750.0	⁽¹⁾
Emilio Macellari (****)	253.8	10.4		565.6	480.0	⁽²⁾
Vincenzo Manes	38.5	30.2				
Cinzia Oglio	38.8		2.9	30.3	162.0	
Emanuela Prandelli	38.8					
Pierfrancesco Saviotti	38.8					
Total	3,997.0	131.9	6.9	665.9	912.0	710.8
Statutory Auditors						
Giulia Pusterla (*****)	90.0					
Enrico Colombo	60.0				62.7	⁽³⁾ ⁽⁴⁾
Fabrizio Redaelli	60.0					
Total	210.0				62.7	
Executives with strategic responsibilities (*****)		10.4	3.0	134.5	1,111.4	15.0 ⁽¹⁾

Legend

- (*) Chairman of Board of Directors
- (**) Vice Chairman of Board of Directors
- (***) Chief Executive Officer
- (****) Member of Executive Committee
- (*****) Chairman of the Statutory Board
- (******) Includes General Directors salaries limited to compensation for the employment relationship.

⁽¹⁾ Director of subsidiary
⁽²⁾ Consultant TOD'S S.p.A.
⁽³⁾ Statutory Auditor of subsidiary
⁽⁴⁾ Member of Compliance Program Supervisory Board

No severance indemnity is provided for Directors and Executives with Strategic Responsibilities.

Intercompany transactions

TOD'S S.p.A. has commercial and financial relationships with the companies in which it directly or indirectly owns a controlling equity interest. The transactions executed with them substantially involve the exchange of goods, provision of services and the provision of financial resources.

They involve ordinary operations and are settled on an arm's length basis. The following table shows the country breakdown of the value of commercial relationships with subsidiaries in 2019:

euro 000's	12.31.19				12.31.18			
	N° Companies	Receivables	Payables	Net Revenues/ (costs)	Receivables	Payables	Net Revenues/ (costs)	
Italy	4	10,212	15,265	(8,788)	31,472	22,477	27,412	
Albania	1	-	739	(5,367)	-	737	(4,512)	
Austria	1	695	4	3,626	1,034	1	3,534	
France	3	1,023	3,516	1,580	3,144	3,234	5,978	
Germany	2	1,618	435	7,834	2,594	513	8,188	
Great Britain	4	3,726	169	15,548	5,750	640	14,771	
Denmark	1	36	-	2	66	23	18	
Netherlands	1	1,083	23	4,730	1,085	9	4,694	
Switzerland	2	1,378	5	8,665	2,940	45	9,196	
Spain	2	1,570	130	5,359	2,530	78	5,355	
Hungary	1	-	458	(1,541)	(325)	484	(1,646)	
Belgium	1	19	12	661	87	9	653	
USA	14	34,216	1,319	19,765	20,242	1,670	21,986	
Japan	2	631	12	1,392	262	11	863	
Hong Kong	2	20,991	2,688	66,026	27,244	2,271	75,307	
Singapore	2	12	1	72	27	3	130	
Korea	2	11,687	343	22,717	12,401	1	23,785	
Macao	2	12	2	76	44	-	125	
China	3	30,162	55	48,082	27,710	5,261	42,604	
Canada	1	388	-	768	-	-	-	
Australia	2	31	1	139	26	1	62	
India	1	155	4	33	123	13	31	
Total	54	119,647	25,182	191,378	138,456	37,482	238,535	

The receivables and payables recognised by the Italian companies include the receivables and payables resulting from the tax consolidation program, totalling 6 thousand euros and 2,834 thousand euros, respectively.

Following below are the details of the financial and capital transactions:

euro 000's	Financing	
	12.31.19	12.31.18
ROGER VIVIER S.p.A.		9,000
TOD'S AUSTRIA GMBH	2,300	2,300
TOD'S DANMARK APS		200
TOD'S AUSTRALIA PTY LTD	1,907	339
DEL. PAV. S.r.l.	1,708	
ITALIANTOUCH USA INC.	1,741	
Total	7,656	11,839

Financial receivables relate to:

- For 2.3 million euros related to a loan lent to the controlled company TOD'S Austria GmbH on November 21st, 2018, which will be all reimbursed at the expiring date November 21st, 2023. The loan bears quarterly interests computed on a variable rate at a market condition;
- For 1.9 million euros related to two loans with a duration of 5 years, granted to the controlled company TOD'S Australia PTY Ltd. on September 21st, 2018 and on January 14th, 2019, for an amount of 550 thousand AUD and 2.5 million AUD, respectively, repayable in a single payment at the expiring date. The loan bears quarterly interests computed on a variable rate at a market condition;
- a 5-year term loan which has been taken over by the Company as a result of the merger with Del.Com S.r.l. (Note 11). The loan receivable is claimed from subsidiary Del.Pav S.r.l. for an amount of 1.4 million euros, which may be repaid in a single payment at maturity (June 2023), on which interest accrues which is calculated quarterly on the basis of the variable market rate. Furthermore, note a credit line used for 308 thousand euros which was taken over by the Company as a result of the merger with Del. Com S.r.l. (Note 11), which will expire in June 2020;
- a loan which was taken over by the Company as a result of the merger with Italianouch S.r.l. (Note 11). The loan receivable is claimed from subsidiary Italianouch USA Inc. for a n amount of 2.0 million USD (1.7 million euros), on which annual interest accrues which is calculated by applying the variable market rate.

32. Events and significant non-recurring transactions

Pursuant to Consob Communication No. DEM/6064293 of July 28th, 2006, the Company did not carry out any significant non-recurring operations in 2019.

33. Independent Auditors compensation

Pursuant to Article 149-*duodecies* of the Issuers Regulation, the compensation received in FY 2019 by the independent auditor PricewaterhouseCoopers S.p.A. and the companies belonging to its network are illustrated below, as broken down into auditing services and the provision of other services:

Type of service	Company	Receiver	Fees euro's 000
Auditing services	PricewaterhouseCoopers S.p.A.	TOD'S S.p.A.	178
Other services	PricewaterhouseCoopers S.p.A.	TOD'S S.p.A.	25
Auditing services	PricewaterhouseCoopers S.p.A.	Subsidiaries	8
Total PricewaterhouseCoopers S.p.A.			211
Auditing services	PricewaterhouseCoopers (Network)	Subsidiaries	170
Other services	PricewaterhouseCoopers (Network)	TOD'S S.p.A.	116
Other services	PricewaterhouseCoopers (Network)	Subsidiaries	81
Total PricewaterhouseCoopers Network			366

34. 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 year.

35. Information in accordance with the Law n. 124/2017

During the year the Company received subsidies, contributions, engagements paid and, anyway, economic advantages in accordance with the Law 124/2017 art. 1, subsection 125, for a total amount of 565,712. The following table summarizes the data related to both the lenders, amount received and a brief description of the reasons why the benefit was achieved.

Lender	euro	Allowance received	Reason
Fondirigenti - Fondo interprofessionale	12,000	12,000	Allowances for training of executives
Regione Marche	331,127	331,127	Allowances to companies for recruiting and training of
INPS - Istituto Nazionale Previdenza Sociale	5,705	5,705	Incentives for hiring employees with specific requisites
GSE - Gestore dei servizi energetici	216,879	216,879	Contribution for the development of electricity from renewable sources
Total		565,712	

For the purposes of the abovementioned requirements, in relation to any other grants received that fall within the cases provided for, reference should be also made to the appropriate national Register that can be consulted publicly.

It is highlighted that the benefits have been summarized in accordance with the cash principle and, as a consequence, the table above shows subsidies, contributions, engagements paid and,

anyway, economic advantages which have been collected during the year 2019, without taking into consideration the accrual basis.

36. Significant events occurring after the end of the fiscal year

After the end of the financial year a new virus named SARS-CoV-2 generated a pathology referred to as Covid-19. The phenomenon was initially observed in mainland China and, at the moment, is infecting hundreds of thousands of people around the world, progressively significantly affecting Italy too. In considering the protection of the health and safety of its employees as one of its priorities, the Company has adopted since the beginning a prudent approach to the prevention and containment of the epidemic at all its sites. In particular, the Company voluntarily ordered the closure of its production facilities as early as from 12 March 2020, which then continued and is still ongoing, in line with the extraordinary measures adopted by the Italian Government to contain the current pandemic. Again as a result of this epidemic, several Group's DOSSs are currently closed in many parts of the world in order to contain the spread of the virus, and in compliance with the directives issued by the Governments of the countries in which the Group operates. In view of the evolution of this contagion around the world and the enormous uncertainties as to the effects of this type of virus, both in terms of duration and possible development, at this moment it is not possible to determine the probable extent of the economic and social effects on international markets; the only certainty is that these effects will be conspicuously unfavourable. As of the reporting date of this document, therefore, we cannot predict their impacts on the Company's results for the current year. Nevertheless, impairment tests have not brought any issues to light as regards the measurement of the items in the financial statements.

37. Certification of the Separate Financial Statements of TOD'S S.p.A. and the Consolidated Financial Statements of the TOD'S Group pursuant to Article 81-ter of Consob Regulation no. 11971 of May 14th, 1999, as amended

1. The undersigned Umberto Macchi di Cellere, 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 24th, 1998:

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

of administrative and accounting procedures for preparation of the Separate Financial Statements and Consolidated Financial Statements during the period January 1st, 2019 to December 31st, 2019.

2. They also certify that the Separate Financial Statements and Consolidated Financial Statements:

- have been prepared in compliance with the International Financial Reporting Standards recognised in the European Union pursuant to Regulation EC 1606/2002 of the European Parliament and Council of July 19th 2002;
- correspond with the account books and ledger entries;
- 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. Report on operations provides a reliable analysis of the issuer's operating performance and income, as well as the financial position of the issuer and all the businesses included in the scope of consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Sant'Elpidio a Mare, March 30th, 2020

Umberto Macchi di Cellere
Chief Executive Officer

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

TOD'S s.p.a.

Independent auditor's report

s.p.a.

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of
TOD'S SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of TOD'S SpA (hereinafter also the "Company"), which comprise the statement of financial position as of 31 December 2019, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters

Auditing procedures performed in response to key audit matters

Allowance for inventory write-downs

(See note no. 14 to the separate financial statements)

Final inventories of raw materials, semi-finished and finished products, amounting to Euro 252.3 million at 31 December 2019 (about 16.4 per cent of total assets), are carried net of an allowance for inventory write-downs of Euro 57.5 million, which is about 18.6 per cent of the value of final inventories.

The allowance for inventory write-downs is estimated with reference to raw materials on the basis of their possibility of use within the production process and as regards finished products based on the ageing of collections in stock and their foreseeable usage through the TOD'S Group distribution channels.

We focused on the allowance for inventory write-downs taking account of its relevance in absolute terms and the complexity of the estimates performed by TOD'S management to evaluate it.

We obtained the calculation of the allowance for inventory write-downs prepared by TOD'S SpA management and we verified its mathematical accuracy.

In relation to raw materials, we evaluated the adequacy of the allowance by checking the adequacy of the write-down percentages used by the Company that we compared for consistency with those of the previous years, with historical data and with products scrapped in the year, as well as by performing analysis targeted on no or slow - moving raw material categories.

With reference to finished products we evaluated the adequacy of the allowance by verifying the adequacy of the write-down percentages used by the Company on unsold items referred to one season/collection, checking the consistency of these percentages with the previous years, analysing the historical sale trend of non-current collections over the TOD'S Group distribution channels and products scrapped in the year, as well as by verifying the adequacy throughout the years of the amount of the allowance for inventory write-downs initially accrued in relation to each season/collection.

In order to ascertain whether additional write-downs needed to be made, we also carried out an analysis on the sales with negative margins, if any, realised in the subsequent year.

Finally our controls included the analysis of the notes to the separate financial statements in order to verify the adequacy and completeness of the disclosure therein.

Key Audit Matters
Auditing procedures performed in response to key audit matters
Recoverability of the value of assets with indefinite useful life – Trademarks

(See notes no. 7.1 and 9 to the separate financial statements)

The item “assets with indefinite useful life” as of 31 December 2018 included trademarks for a total value of Euro 137.235 thousand, subdivided into the Hogan brand for Euro 80.3 million, the Fay brand for Euro 53.1 million and the TOD’S brand for Euro 3.7 million. The item has not changed during 2019 and it represents about 8.9% of assets.

Such brands were recognised at purchase cost and are not amortised since they are considered with an indefinite useful life. Accordingly, tests are performed at least once a year on each brand recognised, in order to verify if their recoverable amount, determined as the higher between the market value less costs to sell and the value in use, is higher than its carrying amount (*impairment test*).

Specifically, in accordance with the applicable accounting standards and with the impairment test procedure approved by the Board of Directors on 4 March 2020, the Company compared the book value of the abovementioned brands at 31 December 2019 with their recoverable value determined applying the same valuation methods described in paragraph 9 “Impairment losses”.

We focused our attention on the brands on their whole considering their significant amount, the complexity of the valuation process which requires a high degree of professional judgement, especially in estimating the expected cash flows and in determining the discount and growth rates used in the valuation process.

We obtained the impairment tests of the Hogan, Fay and TOD’S brands performed by the management and the related supporting documentation.

We performed an understanding of the valuation procedure of the impairment loss, if any, adopted by the management and approved by the Company’s Board of Directors.

We verified the reasonableness of the 2020 budget data and the additional economic projections for the explicit period of the impairment test, as well as the reasonableness of the underlying key assumptions.

In particular, we focused our attention on the reasonability of the future projections checking their consistency with the historical and sector growth trend, also through the involvement of the PwC network valuation experts.

Moreover, we verified, with the support of the PwC network valuation experts, the consistency of the impairment models adopted by the Company with the standard valuation practice, as well as the adequacy of the key assumptions used by the Directors and the accuracy of the calculations.

Finally, our controls also covered the notes to the consolidated financial statements in order to verify the accuracy and completeness of the disclosures therein.

Key Audit Matters

Auditing procedures performed in response to key audit matters

Equity investment in Roger Vivier

(See notes no.9 and 11 to the separate financial statements)

The investment in Roger Vivier SpA, fully owned by TOD'S SpA, is recorded in the separate financial statements as of 31 December 2019 at the historical cost of Euro 415.5 million, accounting for about 26.9 per cent of total assets.

The investment is valued at historical cost and tested for impairment, i.e. a testing aimed to verify if the recoverable amount is higher than its carrying amount, when impairment indicators exist.

Specifically, in order to identify any impairment indicator, the Company verified that the impairment test performed in the financial statements of Roger Vivier SpA at 31 December 2019 on the Roger Vivier brand, recognised for Euro 416.4 million, did not highlight any impairment loss.

We focused our attention on the investment in Roger Vivier SpA because it consists of a significant amount, its valuation process is complex and it requires a high degree of professional judgement, since the recoverability of its value is closely connected with that of the Roger Vivier brand.

We performed an understanding of the valuation procedure of the impairment loss, if any, adopted by management and approved by the Company's Board of Directors.

We verified if any impairment indicators existed in relation to the investment in Roger Vivier SpA by reviewing the results of the impairment test performed on the Roger Vivier brand by TOD'S SpA management.

Within this context, we verified the reasonableness of the Roger Vivier 2020 budget and the additional projections for the explicit period of the impairment test of the Roger Vivier brand, as well as the reasonableness of the underlying key assumptions.

In particular, we focused our attention on the reasonability of the increase in revenue checking its consistency with the historical growth trend of revenue.

Moreover, we also verified, with the support of the PwC network valuation experts, the consistency of the impairment model adopted by the Company with the standard valuation practice, as well as the adequacy of the key assumptions used by management and the accuracy of the calculations.

Finally, our controls also covered the notes to the separate financial statements in order to verify the adequacy and completeness of the disclosures therein.

Key Audit Matters

Auditing procedures performed in response to key audit matters

Entry into effect of the new international accounting standard IFRS 16 - *Leases*

(See notes no. 5, 6 and 22 to the separate financial statements)

On 1 January 2019 the new international accounting standard IFRS 16 - *Leases* –, related to the recognition of lease agreements, became effective.

Regarding lease agreements, from the lessee perspective, the new standard provides to recognise, except for some limited exemptions, the acquired right of use under non-current assets and the corresponding financial lease liabilities represented by the current value of future lease payments.

The right of use is amortised under the income statement over the entire duration of the lease. The financial liability is repaid, together with the financial charges, through lease payments.

As of 31 December 2019, the total amount of the acquired rights of use and of the related financial liability, recognised in application of IFRS 16, amount to Euro 158.8 million and Euro 158.3 million respectively. Amortisation and financial charges for the year were equal to Euro 24.8 million and Euro 6.3 million respectively.

The recognition of lease agreements by lessees in accordance with IFRS16 represented a key audit matter, considering the significance of the amounts on the separate financial statements due to the fact that operating activity linked to the retail distribution network is a significant part of the TOD'S SpA business, as well as the degree of professional judgement of the management in expressing the assumptions related to the methods of adoption of the new accounting standard.

We performed an understanding of the internal control system supervising the management of lease agreements from the lessee perspective.

We performed an understanding and valuation of the reasonability of the accounting policies and assumptions used by the Company in the recognition process of the lease agreements as a lessee in accordance with IFRS16.

We carried out compliance procedures on the management process of the lease agreement portfolio, aimed at verifying the information flow processed by the accounting systems and the key variables used by the Company to recognize and measure the financial statement items affected by the application of the new standard.

We performed tests of detail, on a sample basis, of the key elements of the lease agreements and of the main assumptions, with particular reference to the definition of the lease duration, the effect of renewal options, if any, and the discounting rate of the liability, used by the Company to recognize and measure the financial statement items, with the related supporting documentation.

We verified the accuracy and completeness of the disclosure provided in the notes to the financial statements.



Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of the separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the separate financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the separate financial statements, the Directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- We concluded on the appropriateness of the Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 19 April 2012, the shareholders of TOD'S SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2012 to 31 December 2020.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.



Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No.39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The Directors of TOD'S SpA are responsible for preparing a report on operations and a report on corporate governance and ownership structure of TOD'S SpA as of 31 December 2019, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the separate financial statements of TOD'S SpA as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the separate financial statements of TOD'S SpA as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Ancona, 14 April 2020

PricewaterhouseCoopers SpA

Signed by

Nicola Madureri
(Partner)

This report has been translated into English from the original, which was issued in Italian language, solely for the convenience of international readers.