

Milan - September 11<sup>th</sup>, 2003

### TOD'S Group: growth in turnover, speeding up the development plan

The Board of Directors of Tod's S.p.A., the Italian company listed on the Milan Stock Exchange and holding of the luxury goods group of the same name, operating in luxury shoes, leather goods and apparel with the Tod's, Hogan and Fay brands, today approved the half-year report for the period January 1<sup>st</sup> - June 30<sup>th</sup>, 2003.

With a total turnover of 173.4 Million Euro, up 3.8% as compared to the first half of 2002, EBITDA was 33.6 Million Euro and EBIT reached 17.8 Million Euro.

#### Breakdown of consolidated sales by Brand (Euro mn):

BRAND	H1 2003	H1 2002	% change	FY 2002
Tod's	103.1	102.7	+0.4%	213.1
Hogan	43.9	48.3	-9.1%	90.6
Fay	24.0	15.9	+51.3%	52.1
other	2.4	0.2	n.m.	2.4
TOTAL	173.4	167.1	+3.8%	358.2

Fay revenues grew by 51.3% in the first half of 2003 and represented 13.9% of consolidated sales as of June 30<sup>th</sup>, 2003, compared to 9.5% of the first half of 2002.

Tod's is still the main brand for the Group, representing 59.4% of total revenues; in the first half of 2003, the growth for this brand was 0.4%; the increase at constant exchange rates is 7.5%.

Hogan revenues increased by 18.5% in the second quarter of 2003; the performance for the full semester, which was affected by anticipated deliveries at the end of 2002, shows a 9.1% decline (-7.6% at constant rates). As of June 30<sup>th</sup>, 2003 Hogan sales represented 25.3% of Group turnover.

#### Breakdown of consolidated sales by product (Euro mn):

PRODUCT	H1 2003	H1 2002	% change	FY 2002
Shoes	118.6	123.8	-4.2%	247.1
Leather goods	31.6	27.3	+16.1%	58.5
apparel	23.1	15.9	+44.9%	52.3
other sales	0.1	0.1	n.s.	0.3
TOTAL	173.4	167.1	+3.8%	358.2

In line with Fay performance, revenues of apparel experienced an outstanding 44.9% growth in the first half of 2003 and represented 13.3% of consolidated turnover as of June 30<sup>th</sup>, 2003. Quite remarkable is also the 16.1% growth posted by revenues of leather goods, which increased their impact on Group revenues to 18.3% from 16.3% of end of June 2002. Shoes are still the most important product category for the Group, representing 68.4% of

consolidated sales. At constant exchange rates revenues of shoes were essentially flat as compared to the first half of 2002.

**Breakdown of consolidated sales by region (Euro mn):**

REGION	H1 2003	H1 2002	% change	FY 2002
Italy	82.4	76.8	+7.2%	169.2
Europe (excl. Italy)	51.4	50.8	+1.2%	107.0
North America	25.5	29.5	-13.5%	59.2
Asia and rest of world	14.1	10.0	+41.6%	22.8
TOTAL	173.4	167.1	+3.8%	358.2

Breakdown of revenues by region points out the significant performance experienced by the Italian market, which grew by 30% in the second quarter of 2003. Growth rate over the full first half was 7.2%; Italy represented 47.5% of Group sales as of June 30<sup>th</sup>, 2003. Revenues in the rest of Europe increased by 1.2%; the growth was negatively affected by the depressed economic conditions of the main markets, such as Germany. Revenues in Europe (excluding Italy) represented 29.7% of Group sales as of June 30<sup>th</sup>, 2003.

Revenues in the USA were negatively affected by an unfavourable currency rate and decreased by 13,5% in the first half of 2003, representing 14.7% of consolidated sales as of the end of June; at constant rates revenues show a 5.4% growth. Finally, revenues in the rest of the world, meaning mostly Japan and the Far East, are still increasing strongly: the growth rate in the first half of 2003 was 41.6%, which is 64.7% at constant exchange rates. Sales in the rest of the world represented 8.1% of Group turnover as of June 30<sup>th</sup>, 2003, compared to 6.0% of June 2002.

**Breakdown of consolidated sales by distribution channel (Euro mn):**

DISTRIBUTION CHANNEL	H1 2003	H1 2002	% change	FY 2002
DOS	81.3	65.1	+24.9%	141.8
FS & Independent retailers	92.1	102.0	-9.7%	216.4
TOTAL	173.4	167.1	+3.8%	358.2

The different growth rates of revenues in the separate distribution channels are consistent with the Group strategy to further develop the direct distribution network, by new DOS openings and by converting into DOS some existing franchised stores.

Revenues to independent retailers decreased by 9.7%, mostly due to lack of uniformity in the basis of comparison, descending from converting franchised stores into DOS and from terminating relationships with third parties located in those areas, where the Group opened new DOS.

Sales through DOS increased by 24.9% in the first half of 2003, mainly benefiting by new openings' contribution; on a like-for-like basis, the organic growth - average on a world wide basis calculated, as usual, on DOS opened before January 1<sup>st</sup>, 2002 - was 0.5% for the first half of 2003.

In the second quarter of 2003, the Group opened 2 Dev stores in Italy (one of which under franchising agreement), 1 Tod's store in London (which was added to the two existing

locations) and one Tod's store in Bruxelles. In addition, in Rome and in Hong Kong Tod's boutiques were moved in larger locations and Hogan stores were inaugurated. In the second quarter, five franchised stores were converted into DOS.

As of June 30<sup>th</sup>, 2003 the Group distribution network consisted of 88 DOS and 31 franchised stores.

Before examining the results for the half year, it must be taken into consideration that annualizing half-year results would be misleading. In fact, cost and revenue flows are not aligned on a monthly basis, this due to the retail network expansion now underway and to the particular nature of the business.

With a 3.8% growth of consolidated revenues, as compared to the first half of 2002, EBITDA was 33.6 million Euro, decreasing by 11.2% as compared to the previous year. The margin on sales was 19.4%. The EBITDA trend was certainly affected by unfavourable currency rate fluctuations. At constant rates, EBITDA in the first half of 2003 would have been approx. 4 million Euro higher, thus in line with the level of 2002, and the EBITDA margin would have been approx. 20.7%. The increase of operating costs also must be taken into consideration, due to higher sales revenues and, mostly, to the strong development of the direct distribution network (DOS increased from 57 as of end of June 2002 to 88 as of end of June 2003).

Consolidated EBIT was 17.8 million Euro in the first half of 2003, with a 23.5% decrease as compared to the same period of 2002. At constant rates, EBIT in the first half of 2003 would have been approx. 3.5 million Euro higher and the EBIT margin on sales would have been approx. 11.7%. EBIT trend reflects and enhances EBITDA performance, due to higher amortization on sales, caused by the strong development of the DOS network.

Profit before taxes was 19.8 million Euro, or 11,4% on consolidated sales; a relevant factor was the contribution of the net balance between FX income and expenses (1.9 million Euro in the first half of 2003), derived from a carefully not speculative hedging policy.

Finally, consolidated net income reached Euro 10.8 million; the tax rate was 44.6%, broadly in line with the first half of 2002.

During the first half of 2003, total net investments amounted to 23.7 million Euro, of which 10.8 million Euro were intangible fixed assets, related to the expansion of the distribution network, and 12.9 million Euro were tangible fixed assets. The latter include approx. 11.7 million Euro of expenses for building the new production plant and other investments incurred for the refurbishment and replacement of logistic and production structures.

Net financial position of the Group as of June 30<sup>th</sup>, 2003 was positive and amounted to 37.6 million Euro; the decrease as compared to December 31<sup>st</sup>, 2002 is mainly due to payment of a Euro 0.35 dividend per share, paid in May 2003.

Diego Della Valle, Chairman and Managing Director of Tod's SpA, commented as follows: "The half year Group results are in line with our forecasts; the increase in turnover, obtained despite negative currency exchange rate fluctuations, and the temporary decrease in margins are due to our decision to speed up growth with significant investments. In particular, we have strongly intensified the expansion in our direct distribution network, despite the troubled world market trend, in the conviction we can gain a meaningful increase in market share and profitability over the mid-term."

## RECLASSIFIED PROFIT & LOSS ACCOUNT OF TOD'S GROUP

Year 2002	%	In Euro 000's	H1 2003	%	H1 2002	%	Change	%
358.211	100,0	Sales revenues	173.412	100,0	167.091	100,0	6.321	3,8
5.207	1,5	Other revenues and income	2.299	1,3	2.185	1,3	114	5,2
<b>363.418</b>	-	<b>Total revenues and income</b>	<b>175.711</b>	-	<b>169.276</b>	-	<b>6.435</b>	
(109.487)	30,6	Costs of raw materials, supplies, materials for consumption and changes in inventories	(50.149)	28,9	(52.631)	31,5	2482	(4,7)
(17.784)	23,5	Costs of use of third-party assets	(10.108)	5,8	(8.708)	5,2	(1.400)	16,1
(84.008)	5,0	Costs for services	(47.379)	27,3	(39.921)	23,9	(7.458)	18,7
<b>152.139</b>	<b>42,4</b>	<b>Value added</b>	<b>68.075</b>	<b>39,3</b>	<b>68.016</b>	<b>40,7</b>	<b>59</b>	<b>0,1</b>
(51.242)	14,3	Cost of labour	(29.213)	16,9	(25.837)	15,5	(3.376)	13,1
(9.079)	2,5	Other charges	(5.284)	3,0	(4.375)	2,6	(909)	20,8
<b>91.818</b>	<b>25,6</b>	<b>Ebitda</b>	<b>33.578</b>	<b>19,4</b>	<b>37.804</b>	<b>22,6</b>	<b>(4.426)</b>	<b>(11,2)</b>
(27.864)	7,8	Amortization and depreciation	(15.545)	9,0	(14.178)	8,5	(1.367)	9,6
(683)	0,1	Other provision and adjustments	(240)	0,1	(354)	0,2	114	(32,2)
<b>63.271</b>	<b>17,7</b>	<b>Ebit</b>	<b>17.793</b>	<b>10,3</b>	<b>23.272</b>	<b>13,9</b>	<b>(5.479)</b>	<b>(23,5)</b>
667	0,2	Net financial income (charges)	2.229	1,2	15	ns	2.214	ns
<b>63.938</b>	<b>17,9</b>	<b>Profit from ordinary operations</b>	<b>20.022</b>	<b>11,5</b>	<b>23.287</b>	<b>13,9</b>	<b>(3.265)</b>	<b>(14,0)</b>
(713)	0,2	Net extraordinary income (charges)	(219)	0,1	(560)	0,3	341	(60,9)
<b>63.225</b>	<b>17,7</b>	<b>Pre-tax profit</b>	<b>19.803</b>	<b>11,4</b>	<b>22.727</b>	<b>13,6</b>	<b>(2.924)</b>	<b>(12,9)</b>
(26.949)	7,6	Income taxes	(8.836)	5,1	(9.808)	5,9	972	(9,9)
<b>36.276</b>	<b>10,1</b>	<b>Profit before minority interests</b>	<b>10.967</b>	<b>6,3</b>	<b>12.919</b>	<b>7,7</b>	<b>(1.952)</b>	<b>(15,1)</b>
(383)	0,1	Minority interests	(127)	nm	(184)	0,1	57	(31,0)
<b>35.893</b>	<b>10,0</b>	<b>Consolidated net profit</b>	<b>10.840</b>	<b>6,3</b>	<b>12.735</b>	<b>7,6</b>	<b>(1.859)</b>	<b>(14,9)</b>

## RECLASSIFIED BALANCE SHEET OF TOD'S GROUP

<i>In Euro 000's</i>	<b>30 June 03</b>	<b>%</b>	<b>31 Dec 02</b>	<b>%</b>	<b>30 June 02</b>	<b>%</b>
Cash and cash equivalents	56.842	11,3	65.757	13,3	53.728	11,5
Inventories	103.689	20,5	94.010	19,0	94.812	20,3
Receivables	78.416	15,5	77.994	15,7	71.918	15,3
<b>Current assets (a)</b>	<b>238.947</b>	<b>47,3</b>	<b>237.761</b>	<b>48,0</b>	<b>220.458</b>	<b>47,1</b>
Intangible and tangible fixed assets	263.115	52,2	254.919	51,5	244.865	52,4
Shareholding and long term receivables	2.627	0,5	2.545	0,5	2.597	0,5
<b>Fixed assets (b)</b>	<b>265.742</b>	<b>52,7</b>	<b>257.464</b>	<b>52,0</b>	<b>247.462</b>	<b>52,9</b>
<b>Total assets (a)+(b)</b>	<b>504.689</b>	<b>100,0</b>	<b>495.225</b>	<b>100,0</b>	<b>467.920</b>	<b>100,0</b>
Bank debt	3.372	0,7	4.054	0,8	1.498	0,3
Trade account payables	74.648	14,7	64.229	13,0	63.597	13,6
Other liabilities	11.029	2,2	12.673	2,6	11.657	2,5
<b>Current liabilities (c)</b>	<b>89.049</b>	<b>17,6</b>	<b>80.956</b>	<b>16,4</b>	<b>76.752</b>	<b>16,4</b>
<b>Net working capital (d)=(a)-(c)</b>	<b>149.898</b>	<b>29,7</b>	<b>156.805</b>	<b>31,6</b>	<b>143.706</b>	<b>30,7</b>
Employee severance indemnity reserve	7.371	1,5	6.691	1,4	6.228	1,3
Reserves for risk and charges	1.705	0,3	1.177	0,2	1.092	0,2
Bank debt due beyond 12 months	15.833	3,2	15.000	3,0	15.000	3,2
<b>Medium/long term liabilities (e)</b>	<b>24.909</b>	<b>5,0</b>	<b>22.868</b>	<b>4,6</b>	<b>22.320</b>	<b>4,8</b>
<b>Total liabilities (f)=(c)+(e)</b>	<b>113.958</b>	<b>22,6</b>	<b>103.824</b>	<b>21,0</b>	<b>99.072</b>	<b>21,2</b>
Share capital	60.500	12,0	60.500	12,2	60.500	12,9
Reserves	317.417	62,9	294.224	59,4	295.229	63,1
Consolidated net profit	10.840	2,1	35.893	7,2	12.735	2,7
<b>Consolidated shareholders' equity (g)</b>	<b>388.757</b>	<b>77,0</b>	<b>390.617</b>	<b>78,8</b>	<b>368.464</b>	<b>78,7</b>
Net equity minority interests (h)	1.974	0,4	784	0,2	384	0,1
<b>Total shareholders' equity (i)=(g)+(h)</b>	<b>390.731</b>	<b>77,4</b>	<b>391.401</b>	<b>79,0</b>	<b>368.848</b>	<b>78,8</b>
<b>Total liabilities and equity (l)=(f)+(i)</b>	<b>504.689</b>	<b>100,0</b>	<b>495.225</b>	<b>100,0</b>	<b>467.920</b>	<b>100,0</b>