TOD'S s.p.a.

2016 Annual Report

(Translation of the 2016 Annual Report approved in Italian solely for the convenience of international readers)

TABLE OF CONTENTS

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-Honore, 29

Paris – Rue du Général FOY, 22

Paris – Rue de L'Elysée, 22

Seoul – 11/F Pax Tower 609, Eonju-ro, Gangnam-gu

Shanghai - 1717 Nanjing West Road, Wheelock Square 45/F

Tokyo – Omotesando Building, 5-1-5 Jingumae

Production facilities

Comunanza (AP) - Via Merloni, 7

Comunanza (AP) - Via S.Maria, 2-4-6

Sant'Elpidio a Mare (FM) - Via Filippo Della Valle, 1

Bagno a Ripoli, Loc. Vallina (FI) - Via del Roseto, 60

Bagno a Ripoli, Loc. Vallina (FI) - Via del Roseto, 50

Tolentino (MC) - Via Sacharov 41/43

Corporate Governance bodies

Board of directors [(1)]	Diego Della Valle	Chairman
	Andrea Della Valle	Vice - Chairman
	Luigi Abete	
	Maurizio Boscarato	
	Luigi Cambri	
	Sveva Dalmasso	
	Emanuele Della Valle	
	Romina Guglielmetti	
	Emilio Macellari	
	Vincenzo Manes	
	Cinzia Oglio	
	Pierfrancesco Saviotti	
	Michele Scannavini	
	Stefano Sincini	
Executive Committee	Diego Della Valle	Chairman
	Andrea Della Valle	
	Emilio Macellari	
	Stefano Sincini	
Compensation Committee	Luigi Abete	Chairman
	Sveva Dalmasso	
	Vincenzo Manes	
Control and Risk Committee	Luigi Cambri	Chairman
	Maurizio Boscarato	
	Romina Guglielmetti	
Independent Directors Committee	Vincenzo Manes	Chairman
	Romina Guglielmetti	
	Pierfrancesco Saviotti	
Board of statutory Auditors [(2)]	Giulia Pusterla	Chairman
	Enrico Colombo	Acting stat. auditor
	Fabrizio Redaelli	Acting stat. auditor
	Myriam Amato	Substitute auditor
	Gilfredo Gaetani	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: 2015-2017 (resolution of the Shareholders' meeting as of April 22nd, 2015)
[(2)] Term of the office: 2016-2018 (resolution of the Shareholders' meeting as of April 20th, 2016)
[(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, the latter under a licence agreement

Del.Com. S.r.l.
Sub-holding for operation of national subsidiaries and DOS in Italy

TOD'S International B.V.
Sub-holding for operation of international subsidiaries and DOS in The Netherlands

An.Del. Usa Inc.
Sub-holding for operation of subsidiaries in the United States

Del.Pav S.r.l.
Company that operates DOS in Italy

Filangieri 29 S.r.l.
Company that operates DOS in Italy

Gen.del. SA
Company that operates DOS in Switzerland

TOD'S Belgique S.p.r.l.
Company that operates DOS in Belgium

TOD'S Deutschland Gmbh
Company that distributes and promotes products in Germany and manages DOS in Germany

TOD'S Espana SL
Company that distributes and promotes products in Spain and operates DOS in Spain

TOD'S France Sas
Company that distributes and promotes products in France and manages DOS in France

TOD'S Japan KK
Company that operates DOS in Japan

TOD'S Macao Ltd
Company that operates DOS in Macao

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

TOD'S Korea Inc.
Company that distributes and promotes products in Korea and operates DOS in Korea

TOD'S Retail India Private Ltd
Company that operates DOS in India

TOD'S (Shanghai) Trading Co. Ltd
Company that distributes and promotes products in China and operates DOS in China

TOD'S Singapore Pte Ltd
Company that operates DOS in Singapore

TOD'S UK Ltd
Company that manages DOS in Great Britain

Webcover Ltd
Company that operates DOS in Great Britain

Cal.Del. Usa Inc.
Company that operates DOS in California (USA)

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

Flor. Del. Usa Inc.
Company that operates DOS in Florida (USA)

Hono. Del. Inc.
Company that operates DOS in Hawaii (USA)

Il. Del. Usa Inc.
Company that operates DOS in Illinois (USA)

Neva. Del. Inc.
Company that operates DOS in Nevada (USA)

Or. Del. Usa Inc.
Company that operates DOS in California (USA)

TOD'S Tex. Del. Usa Inc.
Company that operates DOS in Texas (USA)

Holpaf B.V.
Real estate company that operates one DOS in Japan

Alban.Del Sh.p.k.
Production company

Sandel SA
Not operating company

Un.Del. Kft
Production company

Re.Se.Del. S.r.l.
Company for services

TOD'S Brasil Ltda
Company that operates DOS in Brazil

Roger Vivier S.p.A.
Owner of ROGER VIVIER brand. Sub-holding for operation of international subsidiaries and DOS in Italy

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

Roger Vivier Singapore Pte Ltd
Company that operates DOS in Singapore

Roger Vivier (Shanghai) Trading Co. Ltd
Company that operates in China

Roger Vivier UK Ltd
Company that operates DOS in Great Britain

TOD'S Georgia Inc.
Company that operates DOS in Georgia (USA)

Roger Vivier France Sas
Company that operates DOS in France

Roger Vivier Korea Inc.
Company that operates DOS in Korea and that distributes and promotes products in Korea

Roger Vivier Switzerland S.A.
Company that operates DOS in Switzerland

Roger Vivier Macau Ltd.
Company that operates DOS in Macao

Roger Vivier Japan KK
Company that operates DOS in Japan

TOD'S Danmark APS
Company that operates DOS in Denmark

TOD'S Austria GMBH
Company that operates DOS in Austria

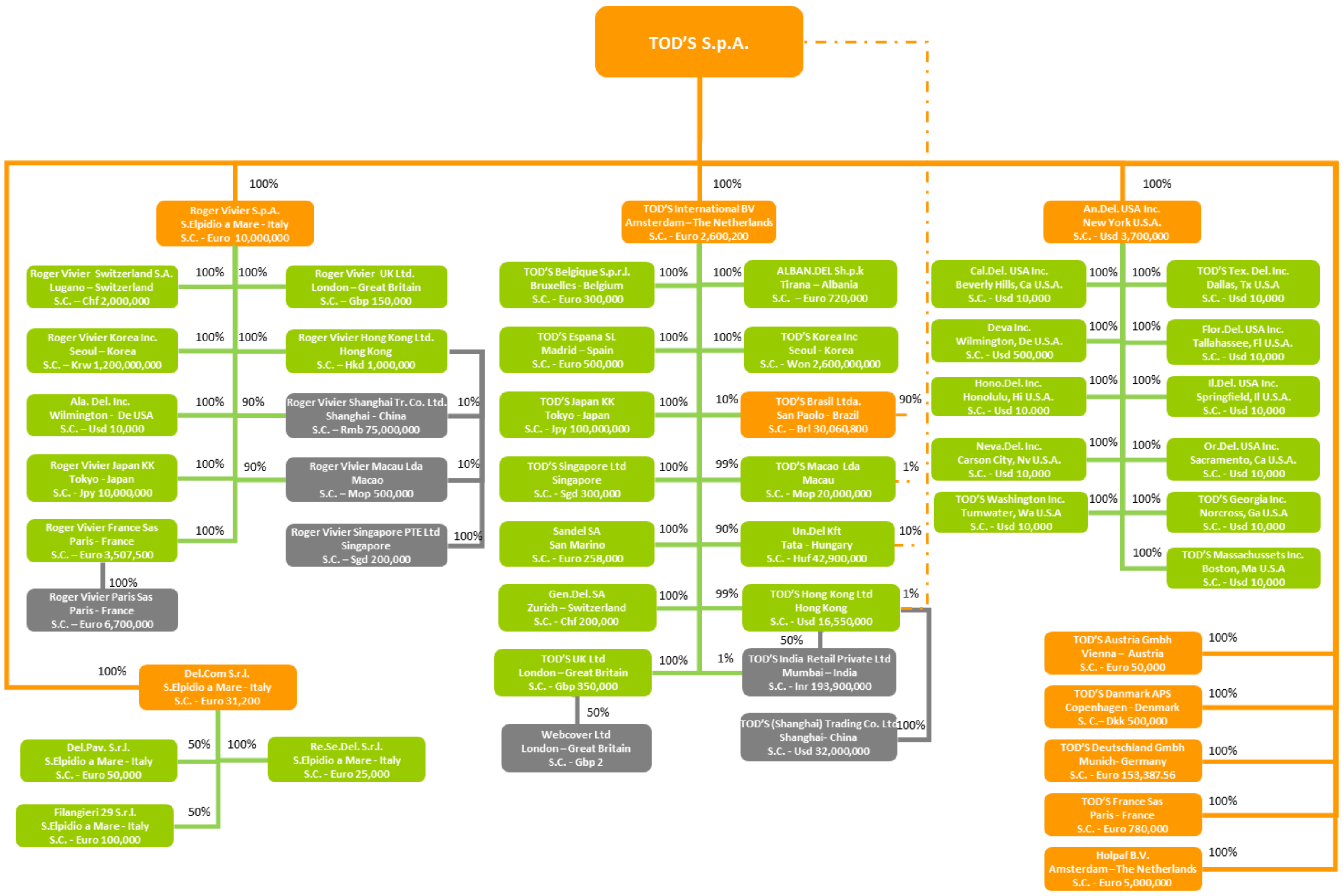
TOD'S Washington Inc.
Company that operates DOS in Washington (USA)

Ala Del Inc.
Company that operates DOS in Delaware (USA)

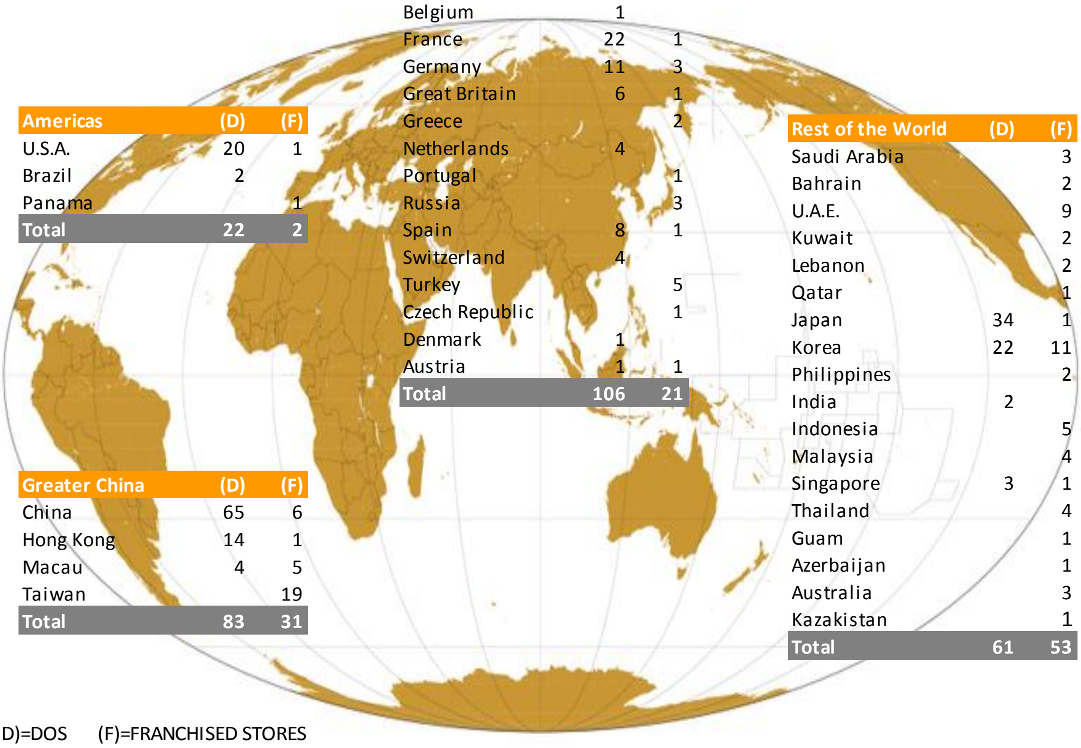
TOD'S Massachussets Inc.
Not operating company

Roger Vivier Paris Sas
Company that operates DOS in France

Group's organizational chart



Distribution network as of December 31st, 2016



Europe	(D)	(F)
Italy	48	2
Belgium	1	
France	22	1
Germany	11	3
Great Britain	6	1
Greece		2
Netherlands	4	
Portugal		1
Russia		3
Spain	8	1
Switzerland	4	
Turkey		5
Czech Republic		1
Denmark	1	
Austria	1	1
Total	106	21

Americas	(D)	(F)
U.S.A.	20	1
Brazil	2	
Panama		1
Total	22	2

Greater China	(D)	(F)
China	65	6
Hong Kong	14	1
Macau	4	5
Taiwan		19
Total	83	31

Rest of the World	(D)	(F)
Saudi Arabia		3
Bahrain		2
U.A.E.		9
Kuwait		2
Lebanon		2
Qatar		1
Japan	34	1
Korea	22	11
Philippines		2
India	2	
Indonesia		5
Malaysia		4
Singapore	3	1
Thailand		4
Guam		1
Azerbaijan		1
Australia		3
Kazakistan		1
Total	61	53

(D)=DOS (F)=FRANCHISED STORES

DOS, 2016 new openings

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

Europe
Paris (France)
Madrid (Spain)
Madrid (Spain)
Bicester (Great Britain)
Amsterdam (Netherland)
Amsterdam (Netherland)

Greater China
Hong Kong (Hong Kong)
Hong Kong (Hong Kong)
Xiamen (China)
Beijing (China)
Beijing (China)
Shanghai (China)
Macau (Macau)
Macau (Macau)

Americas
Miami (U.S.A.)

Rest of the World
Seoul (Korea)
Seoul (Korea)
Tokyo (Japan)
Tokyo (Japan)
Kobe Sanda (Japan)
Singapore (Singapore)
Daegu (Korea)

Franchised stores, 2016 new openings

Europe
Kampen (Germany)
London (Great Britain)

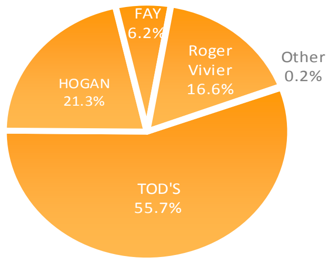
Rest of the World
Istanbul (Turkey)
Incheon (Korea)
Abu Dhabi (U.A.E.)
Dubai (U.A.E.)
Seoul (Korea)
Almaty (Kazakistan)
Sydney (Australia)
Melbourne (Australia)
Beirut (Libano)

Greater China
Macau (Macau)
Quingdao (China)
Wuhan (China)
Harbin (China)
Changsha (China)

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

Key consolidated financial figures

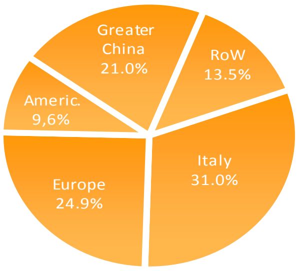
2016 Revenues - % by brand



P&L key figures (euro mn)

	FY 16		FY 15		FY 14	
Revenues	1,004.0		1,037.0		965.5	
EBITDA	180.9	18.0%	202.6	19.5%	193.5	20.0%
EBIT	128.4	12.8%	148.6	14.3%	148.2	15.3%
Profit before tax	115.0	11.5%	137.3	13.2%	144.4	15.0%
Profit for the period	85.8	8.5%	92.1	8.9%	96.8	10.0%

2016 Revenues - % by region



Main Balance Sheet indicators (euro mn)

	Dec. 31st, 16	Dec. 31st, 15	Dec. 31st, 14
Net working capital (*)	279.2	316.1	266.3
Net fixed capital	822.5	417.3	411.4
Shareholders' equity	1,090.5	866.1	814.6
Net financial position	(35.4)	134.2	130.0
Capital expenditures	449.9	47.9	64.5

(*) Trade receivable + inventories - trade payables

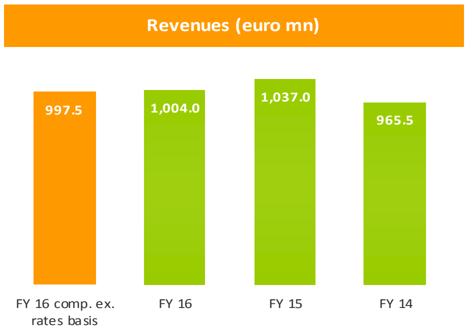
2016 Revenues - % by product

Financial key indicators (euro mn)

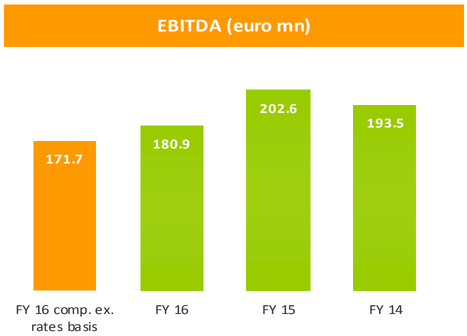
	Dec. 31st, 16	Dec. 31st, 15	Dec. 31st, 14
Operating cash flow	212.6	138.2	140.9
Net operating cash flow	149.7	107.7	90.2
Cash flow generated/(used)	7.9	49.1	(52.1)

Highlights of results

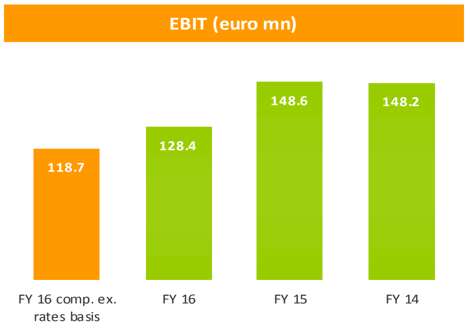
Revenues: 2016 revenues of 1,004 million euros, decreased by 3.2% in respect to 2015. The DOS network had sales of 630 million euros (-4.3%).



EBITDA: this totalled 180.9 million euros (202.6 million euros in 2015). The ratio of EBITDA to sales is 18%.

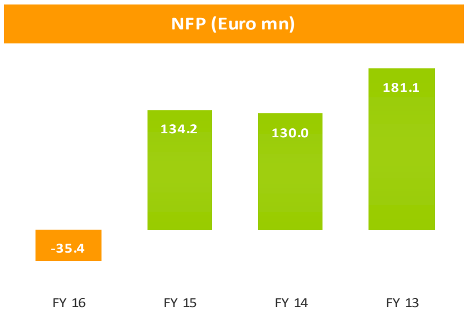


EBIT: this totalled 128.4 million euros (148.6 million euros in 2015), The ratio of EBITDA to sales is 12.8%.



Net profit: consolidated net profit for FY 2016 was 85.8 million euros, representing 8.5% of consolidated sales.

Net financial position (NFP): the Group had 227.7 million euros in liquid assets at December 31st, 2016 (217.8 million euros in 2015). The net financial position at the same date was negative 35.4 million euros (in 2015 it was positive for 134.2 million euros).

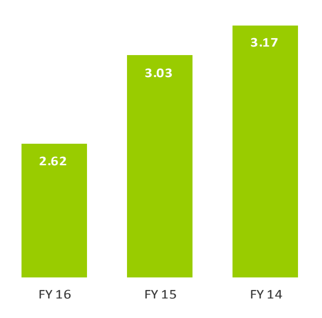


Capital expenditure: amount to 449.9 million euros capital expenditures occurred in 2016 (including 415 million euros related to the acquisition of ROGER VIVIER brand); were 47.9 million euros in 2015.

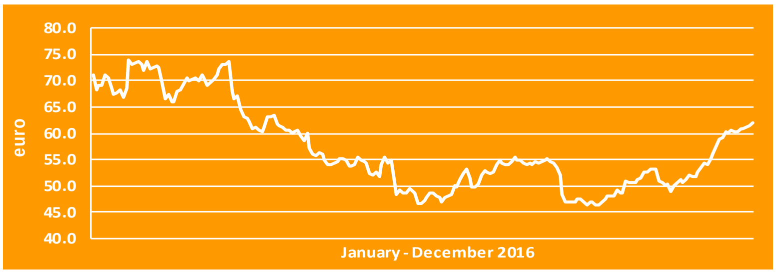
Distribution network: a total of 25 new DOS were opened during the financial year. At December 31st, 2016 the single brand distribution network comprised 272 DOS and 107 franchised stores.

Main stock Market indicators (euro)	
Official price at 05.01.2016	71.04
Official price at 30.12.2016	61.91
Minimum price	45.62
Maximum price	74.80
Market capitalization at 05.01.2016	2,174,395,121
Market capitalization at 30.12.2016	2,048,871,964
Dividend per share 2015	2.00
Dividend per share 2014	2.00
Number of outstanding shares at December 31st, 2016	33,093,539

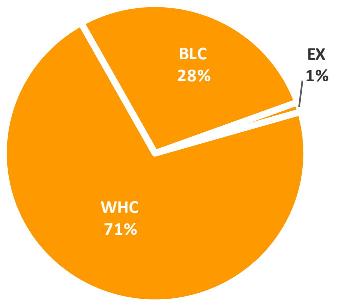
Earning per share (euro)



Stock performance



2016 Group's employees



The Group's employees

	FY 16	FY 15	FY 14	FY 13
Year to date	4,485	4,550	4,297	4,144
Average	4,514	4,464	4,034	4,035

EX = executives
WHC = white collar employees
BLC = blue colar employees

TOD'S Group - IAS/IFRS Annual Report as of December 31st, 2016

Report on operations

Introduction

The Report of the Board of Directors on Operations is based on the TOD'S Group Consolidated Financial Statements at December 31st, 2016, prepared in accordance with IAS/IFRS (International Accounting Standards – IAS, and International Financial Reporting Standards –IFRS) issued by the IASB and approved by the European Union at the same date. 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 Consolidated Financial Statements have been prepared on the assumption that the Group can operate as a going concern. The Group believes that there are no asset, liability, financial or organizational indicators of material uncertainties, as defined in paragraph 25 of IAS 1 on business continuity.

The Report on Operations must be read together with the Financial Statements and Notes to the Financial Statements, which are an integral part of the Consolidated Annual Report. 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 2016 financial year, the typical economic reference indicators (Revenues, EBITDA, and EBIT) have been recalculated by applying the average exchange rates for 2015, 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.

Group's activity

TOD'S Group operates in the luxury sector under its own brands TOD'S, HOGAN, FAY and ROGER VIVIER, the latter under licence agreement up to December 31st, 2015 and subsequently acquired by the Group at the beginning of the current year. 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.

Organizational structure of the Group. 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 and manages the Group's production and distribution. At the beginning of the current year, the Group acquired, through a TOD'S S.p.A. subsidiary, the ownership of ROGER VIVIER brand, as already said, managed under a license agreement by the same parent company. Through a series of sub-holdings, the organization is rounded out by a series of commercial companies that are delegated complete responsibility for retail distribution through the DOS network. Certain of them, strategically located on international markets, are assigned major roles in product distribution, marketing and promotion, and public relations processes along the "value chain", while simultaneously guaranteeing the uniform image that Group brands must have worldwide.

Development of production. 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.

Distribution structure. 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 three channels: DOS (directly operated stores), franchised retail outlets, and a series of selected, independent multibrand stores. E-commerce channel, which was started some years ago, is getting more relevant.
The Group's strategy is focused on development of the DOS and franchising networks, given that these channels offer greater control and more faithful transmission of the individual brands. It is also clear that, in particular market situations, distribution through independent multibrand stores is more efficient. This channel is in any case important for the Group.

Group's brands

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

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

FAY is a brand created in the mid 80s with a product range of high quality casual wear. The brand is known for its quality craftsmanship, for the excellence of its materials, a meticulous attention to craft details and its high functionality without sacrificing style and quality. FAY products are wearable everywhere: from the stadium to the office, in urban areas and in the countryside. The line, which has seasonal men's, women's and junior's collections, focuses on classic evergreen styles, continuously modified and refreshed with innovative and recognisably eye-catching design.

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

TOD'S Group for Social Commitment and the Environment

Passion, creativity, craftsmanship, tradition, promotion of "Made in Italy" quality, solidarity: these are the key values that inspire the TOD'S Group ("TOD'S") when it makes its business decisions, and when it defines its commitment to social responsibility. In 2016, TOD'S remained focused on social responsibility and the environment with new initiatives and projects whose implementation mark continuity with what has been done over the years. The following paragraphs analyse certain of the aspects that characterise TOD'S commitment to social responsibility, particularly in regard to what it actually accomplished in 2016.

The Human Capital

Welfare Project. TOD'S has always considered, as its priorities, the attention dedicated to its employees' well-being and the need to establish and maintain relationships with them based on trust and mutual respect. This approach also marked the actions that had been started some time before and which were aimed at improving the employees' quality of living both at the company and within their families.

Together with corporate services that TOD'S S.p.A. has been making available to its own people for some time, such as the gym, the day care centre for the employees' children (the costs for both of these services are covered entirely by the Group), the auditorium and the multimedia library, a Welfare project has been started since 2012, thus responding to the primary needs of the entire family; in 2016 this project also entailed a number of initiatives to provide economic support to the families of the Group's Italian employees.

This scope of action, the objective of which is to make an increasingly greater contribution to the enhancement of the quality of life of the Group's employees and their households, includes the annual financial contribution of 1,400 euros, the full refund of the cost incurred for the purchase of books for their school-age children, up through university study, the health insurance benefits that cover the entire cost of major surgery, dentistry and ophthalmology, as well as that relating to diagnostic and prevention services (such as specialist examinations, diagnostic tests and the prevention of children's diseases) and, starting from 2016, provides for a hospitalisation indemnity with surgery at hospitals.

The Italian Orientation Programme. By operating in an international context, TOD'S has the mission of spreading its own values worldwide: creativity, craftsmanship, tradition and promotion of "Made in Italy" quality. TOD'S, being aware of the importance of engaging its own employees in promoting "Made in Italy" quality, has started for some years, the Italian Orientation Programme. This Programme provides, for the new hires in the retail segment, a one-week visit to the corporate offices located in Milan and to the Italian production plants, thus giving the Group's foreign employees the opportunity to get closer to the Italian culture inherent in the Group's values. In order to promote our country's culture, the Programme provides for a full immersion in the Italian Lifestyle, ensuring moments of culture, such as the visit to some places of interest, cooking experiences and suggestions to discover the very Italian taste. The Programme, which involves the new hires, as well as the foreign employees in the retail segment who have not yet had the opportunity to visit the corporate offices, is a unique experience for the Italian staff members too, who are then able to interact with their colleagues from all over the world in view of mutual exchange of different cultures, confirming a constant commitment on the part of TOD'S to the creation of a group of increasingly tightly knit and internationally-minded people.

Commitment to training. The realisation of a durable, top-quality product depends on the talent of the people who create it and perform all the steps in its production process. Customers' perception of the quality and craftsmanship of products depends in turn on the capacity of boutique professionals to transmit these essential values of the Group. This is why TOD'S supports the creativity and work of those who express their personal talent every day, with specific training activities that target the needs of their different professional roles.

Consequently, the Group continued planning and scheduling in-service training programmes again in 2016. Various professionals from different corporate functions were involved: the aim was to increase the expertise and ability of the resources in all the phases of the value creation phases. In 2016 these actions focused in particular on the natural continuation of the activities already started in the previous year, aimed at maintaining increasingly higher quality standards both in the main phases of the production process and in the procurement and selection of materials to be used. Training activities, which had been started in the previous year with the objective of making the Group's qualitative standards objective, so that all the craftsmen involved in the main production phases (department heads, persons in charge of manual conveyor systems, skilled workers) can recognize and pursue them, were followed, during the current financial year, by an additional training project dedicated to making the qualitative standards of incoming materials recognisable, focused on both leather goods and semi-finished products (mainly accessories). These training activities, to which must be added those already started previously, allow the further extension of quality control to other phases of the value creation chain, thus being able to meet increasingly higher qualitative requirements of products through the professional growth of operators involved in the production process.

Work also continued on the "*Fabbrica del Talento*" (Talent Factory) project, within which a group of young people was given the possibility to receive training in 2015, which ended with TOD'S recruitment of most of the participants. In September 2016, the "*Botteghe dei Mestieri e dell'Innovazione*" (Crafts and Innovation Workshops) project was launched, which is expected to be completed in march 2017. This new project, which will involve ten young people aged between eighteen and thirty-five, is aimed at encouraging young people to embark on the road to craftsmanship, which can still provide important employment opportunities at a local level, through the combination of craftsmanship and innovation. The participants are allowed to make an interesting training experience, applying new solutions to some processing operations carried out inside the company. The training scheme provides for the apprentice to be assisted by the craftsman on an ongoing basis, in the key phases of manufacturing processes and the transfer of competence through direct on-the-job experience. This project also allows the qualitative value of the "Master of Arts" to be passed on, thus ensuring that the undisputed excellence of the "Made in Italy" tradition, of which the Group intends to be a passionate advocate, is spread worldwide.

Again within the development of the professional skills, in 2016 training courses were also made, with a higher number of dedicated hours and of the functions involved, to develop the soft skills that not only help to raise productivity and efficiency but improve the working environment and interpersonal relationships, such as the capacity to involve and communicate, manage human resources, delegate and acquire leadership qualities, as well as cohesion and the typical sense of belonging to a team. In 2016 the course also included a number of coaching hours, which are critical to making the training scheme concrete and effective, through an ongoing improvement stimulated in everyday life within the company.

Work also continued on specific training projects dedicated to the professionals involved in the selling process, such as store managers, assistant store managers and sales assistants, in order to develop the social skills necessary to excel in the international environment in which the Group operates, such as the capacity to use a communication style appropriate to their knowledge of the cultural diversities, behaviours, traditions and expectations of the global customers typical of today's multicultural context. This is made for the purpose of leading consumers towards a buying experience that enables them to appreciate the very high quality of the product to the full, with the assistance of attentive and thoughtful service.

Furthermore, language courses were provided at all professional levels in 2016, with modules aimed at meeting the specific training requirements of the staff involved in the same. TOD'S believes that language skills are essential in a Group whose daily operations are conducted at an international level.

As regards collaborations, a number of projects were started with prestigious design schools, such as the European Institute of Design in Florence and the St. Martin's School in London, for the conception of training programmes of mutual interest. Again in this context, collaboration was strengthened with Bocconi University in Milan, with which a 5-year agreement has been signed, which is aimed at supporting the University's research, education and institutional activities in the sector of fashion and luxury management.

Contribution to the Italian economic system

The TOD'S Group confirmed its commitment to support our country's needs in 2016 too: in fact, the Shareholders' Meeting, called to allocate the 2015 Group net profit, allocated, in line with the previous year, some of that money, and specifically 1% of net profit, to support programmes that assist the least fortunate members of the local communities in the areas where the Group operates. Through this action the Group continued to provide economic support to voluntary associations that assist young people join the work force, economically disadvantaged persons and senior citizens, as well as promote the education and training of young people.

With this solidarity project, the Shareholders' Meeting aimed to redistribute a portion of the profits recorded by TOD'S S.p.A. at local level, in those areas where it recruits skilled craftsmen, thereby reinforcing its already strong ties with them.

In 2016 the TOD'S Group also decided to provide its support to the population of the town of Arquata del Tronto and adjacent areas, which were struck by devastating earthquake in August 2016. As a tangible sign of hope and chance, TOD'S has chosen to build a new factory in Arquata, which will be erected on a piece of land of about 5,000 sq. m. that was acquired in November 2016 and which will employ young people living in the area.

In 2016 the Group worked with Save the Children again, in a campaign to raise awareness and funds, named *"Illuminiamo il Futuro"* ("Illuminate the Future"). The campaign is aimed to provide education and hope to children in the grip of poverty through the creation of Punto Luce centres and special education centres in the poorest areas of the Italian cities, where children and teenagers may study, play and carry out sports, cultural and recreational activities. Within this project, the parent company TOD's S.p.A. has contributed to the construction of the Punto Luce Barra, in Naples, a place of gathering of about 160 sq. m., with a sports area of about 4,300 sq. m., which hosts two sports fields and green areas for playing and leisure activities. The centre is a real educational and cultural centre for children and teenagers and is intended to become a local hub for educational services, schools, social services, other local associations and for the boys and girls involved with a view to the co-planning of the activities of the Punto Luce centre, thus providing a support to their growth and encouraging social aggregation and inclusion. The spaces, which were fully refurbished by *Save the Children*, to which TOD'S gave its contribution in 2016 too, host a number of free activities for children and young people aged between 6 and 16: physical and sports activities, creative workshops, circus, theatre and music workshops, study support, education on the responsible use of new media and a children's library.

A further social project was started in Autumn of 2016 at San Patrignano, a well-known community (N.G.O.) which welcomes addicted and marginalised people, supporting them in the search for their own path through a journey of recovery. The TOD'S Group collaborated with the Community by providing leather and know-how for a collection of bags and small leather goods, which was fully realised by the members of the Community in their workshops, and also supported their marketing. All the proceeds of this project will be used by the Community for the implementation and financing of its own projects, so as to become a key training and motivational tool for the young people living in San Patrignano.

Collaboration

The TOD'S Group wants to help promote the image of Italy around the world, by giving special support to major initiatives to protect and promote Italian heritage. Its aim is to consolidate the great reputation of Italy and maintain and promote tourism, which also positively impacts the economy.

As previously reported, the Group made an agreement to cooperate with the Italian Ministry of Cultural Affairs and the Rome Special Archaeological Service in 2011, promising to cover the cost of a series of restoration projects on the Colosseum for a total amount of 25 million euros. This initiative, which was inspired by TOD'S desire to protect and promote Italian culture, as well as by the certainty that investing in "Made in Italy" products, in the skills, traditions and culture of Italy is the best way to make it more competitive, concluded the first phase of actions in April 2016, with the completion of the restoration of the north façade and south façade of the Colosseum and the installation of gates around the perimeter.

On the occasion of the completion of the first phase of restoration works, TOD'S, in collaboration with the Superintendence for the Colosseum and the central archaeological area of Rome, launched the "*Un'arena di luci e colori*" (Arena of lights and colours) project, which was conceived to offer the entire community the possibility to make a full use of the Colosseum, which is the symbol of the Italian artistic and cultural heritage, with the opportunity to witness a fascinating and evocative light show inside the arena, free of charge, two evenings a week, from August to October 2016.

About 7,000 people, from federations, Confartigianato, Confesercenti, Confcommercio, accredited entities for personal services, Caritas, hospitals, schools, universities, police forces, enthusiastically joined the project that has allowed to experience timeless emotions inside a monument that is crucial for the promotion of Italian culture all over the world.

Pursuing the same intention to promote Italian culture and Italian-made products, the TOD'S Group supports two symbols of the Italian culture in Milan, such as the Teatro alla Scala and the Padiglione di Arte Contemporanea (PAC – Contemporary Art Pavilion).

Teatro alla Scala is the most famous opera house in the world, a prestigious institution of major international standing, intended to enhance the historical and cultural heritage. The TOD'S Group is proud of being a Permanent Founding Member of the Teatro alla Scala Foundation, and of having the opportunity to support art performance services of absolute excellence, participating in spreading musical culture all over the world.

A four-year agreement is in place with the Municipality of Milan, which is aimed at supporting the implementation, curatorship and promotion of research and proposal activities carried out by the PAC. Founded in 1954, PAC represents one of the first examples in Italy of an exhibition space designed for contemporary art that serves as a key link to the international community. It can host unique exhibitions of worldwide importance, with an average of 20,000 visitors to each of its exhibits. Within the scope of the agreement in support of the PAC's activity, in 2016 TOD'S also implemented and promoted, in the capacity of technical sponsor, an important photographic exhibition, *So Far So Goude*, dedicated to Jean Paul Goude, the unmistakable "*auteur d'images*" who marked the iconographic imagery of recent decades, the proceeds of which were fully assigned, in support of the PAC itself, for maintenance, protection and restoration interventions, and in favour of a well-known non-profit organization.

For the second year, the TOD'S Group also gave its contribution to the PAC for the photographic exhibition named "*Riscatti*" (Redemptions), dedicated to multi-culturality and integration. The proceeds from the sale of the photos displayed at the exhibition, which were taken by persons from all over the world, were used to provide Italian and foreign new mothers in difficulty with the Home Visiting service delivered by the CAF association (www.caf-onlus.org), which operates in the sector of hospitality and care of child victims of abuse and neglect and support for families in crisis.

The TOD'S Group continued to lease spaces of Villa Necchi in Milan for the presentation of its collections, thus confirming its commitment to support the mission of the Fondo Ambiente Italiano (FAI). This national, non-profit foundation has been operating with passion and enthusiasm since 1975 to preserve, restore and provide public access to major sites of artistic and natural interest in Italy, by promoting institutional and public awareness of the need to protect it.

The Quality of the Product

Commitment to quality in all phases of production. Quality and tradition are the principles that guide the business, from the conceptual phase of a product to the manufacturing phase, distribution and sale to end customers. TOD'S continuously monitors maintenance of the product standards applicable to all phases of the process. To do so, it uses specialised staff both at its own plants and at the workshops and plants of Group outsourcers, to verify that only its own materials, machinery and techniques are used, and to control the quality of raw materials, the process and the finished product. In this perspective, TOD'S works mainly with suppliers with which it has established long-term relationships. The Group has always considered the establishment and maintenance of long-term relationships with its outsourcers to be essential, where those relationships are based on a shared commitment to high product quality, the excellence of Italian-made products and the fight against counterfeit goods.

The Environment

Environmental focus. TOD'S dedicates major attention to environmental issues. In fact, despite operating in a context in which its operations have a limited environmental impact, TOD'S, in continuing the work already done in previous years, also created and implemented programmes to reduce its energy consumption in 2016 too, by using new resources to "compress" its environmental impact. One of the priorities was still to reduce the consumption of energy at its production and commercial facilities. Specifically, work continued on the plan of energy efficiency improvement actions that had been started by the Parent Company TOD'S S.p.A. during the previous year within the scope of the energy audit, which, in addition to the energy efficiency actions required by Legislative Decree 102/2014, was extended, to all the Group-owned production and logistic sites, thus allowing an assessment of the efficiency of its entire energy management system, through the precise and documented recording of its consumption of electricity and fuel consumption. In 2016 a project was approved, within the scope of the plan of energy performance improvement actions, which will involve the production plant located in Comunanza, in the Marche region, during the next months; in continuity with the actions that were taken as early as in 2014, the project provides for the replacement of the roofs, thus improving insulation, with benefits in terms of the reduction of consumption and consequent emissions, at the Montecosaro and Tolentino production plants as well, again in the Marche Region.

In the area of energy savings, and thus simultaneous reduction of greenhouse gas emissions, TOD'S has implemented design changes at its own headquarters buildings in Italy to realise passive energy savings. These programmes have been implemented by using renewable energy sources to satisfy part of the Group's energy needs. This has involved using geothermal plants to improve the efficiency of air conditioning systems and photovoltaic panels to generate electricity. These design changes, which were fully implemented as early as in the construction of the new building erected between 2014 and 2015, again at the complex where the headquarters are located, will be also applied in the construction of the new Arquata del Tronto plant in the Marche Region. The building will have a structure and a plant in line with all the new design philosophies that guide the realisation of buildings offering passive energy savings, and thus consuming a low level of energy – in terms of both thermal and electric energy ("envelope" insulation, photovoltaic plant, recovery of rainwater, and lighting with new LED technologies). The "motor equipment" will be equipped with inverter technology (previously experimented on production lines), which will make it possible to modulate the function of these devices according to real needs, thus permitting further reductions in energy consumption.

Again to improve energy efficiency, in 2016 project was started, which will be completed during the next year and which will gradually led to the replacement of all the furnaces used in the assembly lines dedicated to the manufacturing of shoes, thus allowing a further reduction in energy consumption at the Group's plants.

Finally, within energy efficiency improvement actions, it should be noted that, in setting up retail store spaces, the concept stores are designed by specifying the use of LED technology to light interior spaces and displays in the sales areas. For more responsible use of resources, wood is obtained by recycling furniture and decoration scrap material.

The Code of Ethics

The TOD'S Code of Ethics, adopted by the Group in 2008, is the tool that allows the Group to operate and maintain relationships with its stakeholders on the basis of principles that characterise its identity and nature. Honesty, fairness, confidentiality, transparency and reliability in relationships with all stakeholders are the complete, fundamental principles of the Group, and thus adopted in the Code. The Code of Ethics, lastly updated in 2013, at the same time with the updating of its organizational model ex Legislative Decree 231/2001 by introducing references to bribery between private parties, wrongful inducement to give or promise benefits, and employment of citizens who do not have proper authorisation to work in the places where they are employed.

The principles embodied in the Code of Ethics and Legislative Decree 231/2001 Compliance Programme are disseminated and implemented in practice through the organisation of specific training activities.

Main events and operations during the year

The macroeconomic scenario in which the Group operates continues to be particularly complex, marked by geopolitical tensions and situations of economic and social uncertainty that affected the main international markets, making them unstable and volatile, during the year just ended as well. This context, together with the currency trends in the various relevant markets, also affected the tourism flows of international shoppers in the global luxury market, above all those of Chinese customers that, in this context, suddenly change their destination and propensity to consume. Specifically, the overview of international markets showed a continuing weakness in continental Europe, which showed signs of recovery in local consumption, on the one hand, and, on the other, was affected by a reduction in purchases from the abovementioned tourism flows, mainly due to the uncertainties arising from terrorism risks. The sole exception was the UK market, which benefitted from the depreciation of the pound sterling, after the Brexit referendum. On the contrary, the US market confirmed the trend that had already showed at the end of the previous year, which was characterised by weak consumption, mainly due to a lower number of tourists and was exacerbated by feelings of insecurity on the part of local consumers in the year of presidential elections. However, positive signs came from the important continental China market, which showed clear signs of recovery after three years of decline, thanks to the renewed interest of customers in the purchases from the local retail network.

The Group's performances during the 2016 financial year were affected by this uncertain macroeconomic scenario, recording a reduction of 3.2%, in terms of revenues, compared to the previous year, while showing a significant improvement during the fourth quarter, also thanks to the goods results achieved by the Autumn/Winter collections. Specifically, the focus on markets showed a decline in the sales in the American markets (-8.4% in terms of revenues), which was mainly the result of the abovementioned trend in the US market, and in the sales in the Greater China market (-6.8%), which was still affected by the crisis of Hong Kong, but which recorded positive performances in the continental China market, with an evident acceleration in the fourth quarter. A slight growth was recorded in the Rest of the World, where performances were

excellent in South Korea and substantially stable in Japan, the sales of which were adversely affected by lower tourism flows following the revaluation of yen that occurred during the year.
In this complex scenario, the TOD'S Group continued to implement its business development strategies, investing substantial resources in support of long-term growth: in January the Group completed the acquisition of the ROGER VIVIER brand, which had been previously managed under a licence contract. This transaction had a high strategic value to the TOD'S Group, given the positioning of the ROGER VIVIER brand in the highest end of the luxury market and the consequent complementarity with the other Group brands, with a range of products (footwear, leather goods and accessories) intended for the most sophisticated customers. The final acquisition of the title to the brand allowed the Group to eliminate the uncertainties that are peculiar to any licence agreement, and to acquire full control over long-term planning and distribution strategies involving this brand.
Within this transaction, the Group also acquired the entire share capital of Roger Vivier Paris Sas, the company that operates the ROGER VIVIER store located at Rue du Faubourg Saint Honoré, 29, in Paris, which is the historical flagship store of the brand.
The transaction was partly financed by making recourse to existing cash and to the loan of 300 million euros raised with a pool of two major credit institutions in 2014. Moreover, in November 2016 there was a partial early repayment of the loan in an amount of 95 million euros, given the good financial position of the Group.

Furthermore, the period saw a capital increase of 207.5 million euros, which was resolved by the Extraordinary Shareholders' Meeting of TOD'S S.p.A. on January 13th, 2016, was reserved for and fully subscribed and paid up by Gousson Consultadoria e Marketing S.r.l., which reinvested a portion of the transfer price in the Group, in accordance with the master agreement that had been signed between the parties on November 22nd, 2015.
The abovementioned ROGER VIVIER brand achieved excellent results, showing an increase in all the geographical areas in which it is distributed, only except for the Americas, which were strongly affected by the abovementioned reduction in tourism flows, above all those of Chinese customers.
A positive performance was also recorded by the FAY brand, whose international expansion strategy, which had been started during the previous year, began to record encouraging results. The brand sales, which reported an overall growth of 5.3%, posted positive values in all the geographical areas in which the brand is distributed.
As regards the investments for the period, note the acquisition of the ROGER VIVIER brand, as well as the resources devoted to the renovations of existing stores, which are the vehicle for

organic growth, and those devoted to the development of the direct distribution network, based on selected locations capable of expressing the DNA of each brand.

Finally, on December 23rd, 2016, the parent company TOD'S S.p.A., which is the leading company in its sector, signed an agreement with the competent Revenue Agency Office to regulate the methods and criteria to be used for the calculation of the amount of the financial contribution that intangible assets gave to the business income, which corresponds to the income subject to tax benefits for the purposes of the "Patent box". In fact, this is a preferential taxation regime for businesses that generate income through the direct use or concession of intellectual property rights to third parties.

The agreement concerns the taxable years from 2015 to 2019 and may be renewed for an additional period of five years.

The Group's results in 2016

Consolidated sales were 1,004 million euros, decreased by 3.2% in respect to 2015 turnover when it was 1,037 million euros. The impact of currency fluctuations was positive: at constant exchange rates, sales revenue would have been 997.5 million euros, showing a reduction of 3.8% in respect to 2015. Operating margins, EBITDA and EBIT, were 180.9 million euros and 128.4 million euros respectively (while at a constant exchange rate would have been 171.7 and 118.7 million euros).

Consolidated net profit was 85.8 million euros, decreased by 6.3 million euros in respect to 92.1 million euros of the previous year 2015.

euro 000's Main economic indicators	Year 16	Year 15	Change	%
Sales Revenues	1,004,021	1,036,959	(32,938)	(3.2)
EBITDA	180,908	202,618	(21,710)	(10.7)
Deprec., amort., write-downs and advances	(52,547)	(54,050)	1,504	(2.8)
EBIT	128,361	148,567	(20,206)	(13.6)
Profit before taxes	114,967	137,270	(22,304)	(16.2)
Profit for the period	85,768	92,088	(6,320)	(6.9)
Foreign exchange impact on revenues	(6,559)			
Adjusted Sales Revenues	997,462	1,036,959	(39,497)	(3.8)
Foreign exchange impact on operating costs	(2,611)			
Adjusted EBITDA	171,738	202,618	(30,880)	(15.2)
Foreign exchange impact on deprec.& amort.	(472)			
Adjusted EBIT	118,718	148,567	(29,849)	(20.1)
EBITDA %	18.0	19.5		
EBIT %	12.8	14.3		
Adjusted EBITDA %	17.2	19.5		
Adjusted EBIT %	11.9	14.3		
Tax Rate %	25.4	32.9		

Net of non-recurring transactions, occurred during the period for a net amount of 0.8 million euros related to both an economic indemnity of 25 million euros, collected within the acquisition of ROGER VIVIER brand transaction, and an extraordinary write-off of stock for 24.2 million euros, as a consequence of a redefinition of the distribution strategies, EBITDA and EBIT would have been 180.1 and 127.6 million euros respectively for a ratio on sales revenue of 17.9% and 12.7% (at constant exchange rates they would have been 170.9 and 117.9 million euros respectively, for a ratio on sales revenue of 17.1% and 11.8%).

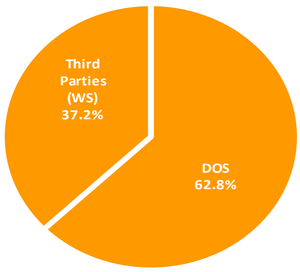
euro 000's Main Balance Sheet Indicators	12.31.16	12.31.15	Change
Net working capital (*)	279,230	316,085	(36,856)
Intangible and tangible fixed assets	822,523	417,295	405,228
Other current assets/liabilities	24,109	(1,535)	25,644
Net assets held for sale			
Invested capital	**1,125,862**	**731,845**	**394,017**
Net financial position	(35,381)	134,236	(169,617)
Shareholders' equity	**1,090,481**	**866,081**	**224,400**
Capital expenditures	449,908	47,928	401,980
Net cash flows from operating activities	149,684	107,655	42,028
Cash flow generated/(used)	7,929	49,102	(41,172)

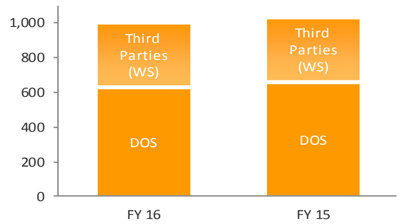
(*) Trade receivable + inventories - trade payables

Revenues. Consolidated sales were 1,004.0 million euros in FY 2016, down 3.2% from FY 2015. In Q4 2015, sales totalled 246.3 million euros, down 1.5% from Q4 2015; this result implies a significant improvement compared to the first nine months of the year, confirming the success obtained by the Fall/Winter collections, thanks to their focus on iconic and evergreen products.
At constant exchange rates, meaning by using FY 2015 average exchange rates, including the related effects of hedging derivatives, sales would have been 997.5 million euros (-3.8% from the previous year).

Sales through DOS totalled 630.3 million euros, down 4.3% from 2015; positive the result in the fourth quarter. The Same Store Sales Growth (SSSG) rate, calculated as the worldwide average of sales growth rates registered by the DOS already existing as of January 1st, 2015, at constant exchange rates, is -12.2% in the fiscal year, showing a strong improvement in the fourth quarter (we remind that the figure related to the first nine months was -14.6%). As of December 31st, 2016 the Group's distribution network was composed by 272 DOS and 107 franchised stores, compared to 257 DOS and 98 franchised stores as of December 31st, 2015.

(euro mn)	FY 16	%	FY 15	%	% current exch. rates	% constant exch. rates
DOS	630.3	62.8	658.4	63.5	(4.3)	(5.0)
Third Parties (WS)	373.7	37.2	378.6	36.5	(1.3)	(1.7)
Total	**1,004.0**	**100.0**	**1,037.0**	**100.0**	**(3.2)**	**(3.8)**





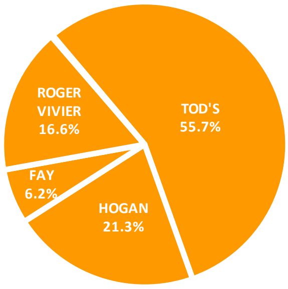
Revenues to third parties totalled 373.7 million euros; the small decline, as compared to last year, is mainly due to the very challenging comparison basis (in the fourth quarter of 2015 this channel grew by 28.7%).

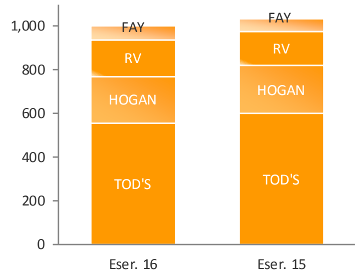
TOD'S sales totalled 559 million euros in fiscal year 2016; the 6.7% decrease compared to the previous year is mainly due to the sharp decline of traffic in the stores, in particular of tourists. The new collections, focused on the most iconic products, are receiving a good feedback.

HOGAN revenues were 214.2 million euros, with a 3.2% decrease from 2015, mainly related to the domestic market; positive results abroad.

Revenues of the FAY brand were 62.6 million euros, up 5.3% from 2015, with a sharp acceleration in the fourth quarter. The brand is continuing its internationalization; positive results in all the regions where it is distributed.

(Milioni di euro)	Eser. 16	%	Eser. 15	%	var.% cambi correnti	var.% cambi costanti
TOD'S	559.0	55.7	599.0	57.8	(6.7)	(7.5)
HOGAN	214.2	21.3	221.4	21.3	(3.2)	(3.3)
FAY	62.6	6.2	59.4	5.7	5.3	5.3
ROGER VIVIER	166.3	16.6	156.0	15.0	6.6	5.6
Altro	1.9	0.2	1.2	0.1	53.2	51.9
Totale	**1,004.0**	**100.0**	**1,037.0**	**100.0**	**(3.2)**	**(3.8)**

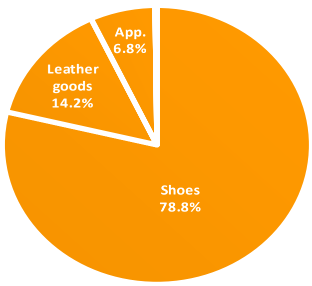


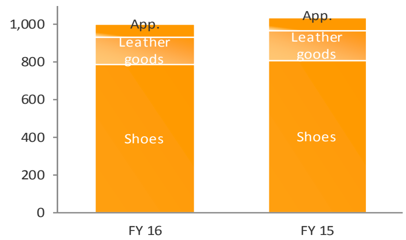


Finally, sales of ROGER VIVIER totalled 166.3 million euros, up 6.6% from the previous year. As already commented for the TOD'S brand, also ROGER VIVIER was affected by the sharp decline of traffic and consumptions in many important markets for luxury goods, mainly of tourists.

Revenues from shoes were 791.3 million euros in the year, down 2.5% from 2015, but with a significant improvement of the performance in the fourth quarter. Sales of leather goods and accessories totalled 142.5 million euros, down 9.4% from 2015. The fourth quarter registered a visible improvement of the trend, following the introduction in the stores

(euro mn)	FY 16	%	FY 15	%	% current exch. rates	% constant exch. rates
Shoes	791.3	78.8	811.7	78.3	(2.5)	(3.0)
Leather goods	142.5	14.2	157.2	15.2	(9.4)	(10.9)
Apparel	68.3	6.8	66.9	6.5	2.2	2.1
Other	1.9	0.2	1.2	0.1	51.9	50.6
Total	**1,004.0**	**100.0**	**1,037.0**	**100.0**	**(3.2)**	**(3.8)**

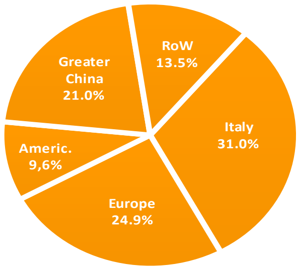


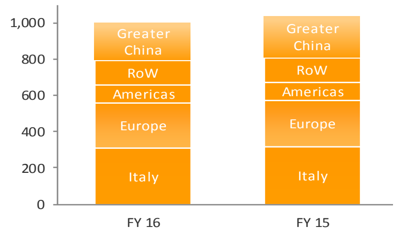


of the Fall Winter collections, which are more consistent with the Finally, sales of apparel were 68.3 million euros, up 2.2% from 2015.

Domestic sales were 311.5 million euros, down 3.5% from 2015, but with a visible improvement of the trend in the fourth quarter. In the rest of Europe, the Group's revenues totalled 250 million euros, slightly higher than in 2015. Positive results in all the main countries where the Group operates, except for France and UK. In the Americas sales amounted to 96.7 million euros, down 8.4% from the previous year. This market confirmed the weak consumer environment, which we have already commented in the last quarters, mainly related to the drop of tourists.

(euro mn)	FY 16	%	FY 15	%	% current exch. rates	% constant exch. rates
Italy	311.5	31.0	322.8	31.1	(3.5)	(3.5)
Europe	250.0	24.9	248.6	24.0	0.6	1.4
Americas	96.7	9.6	105.6	10.2	(8.4)	(10.4)
Greater China	210.3	21.0	225.8	21.8	(6.8)	(8.1)
RoW	135.5	13.5	134.2	12.9	0.9	(1.8)
Total	**1,004.0**	**100.0**	**1,037.0**	**100.0**	**(3.2)**	**(3.8)**





The Group's revenues in Greater China totalled 210.3 million euros, down 6.8% from the previous year. Mainland China and Macao registered positive results, while Hong Kong remained weak, even if visibly improving.

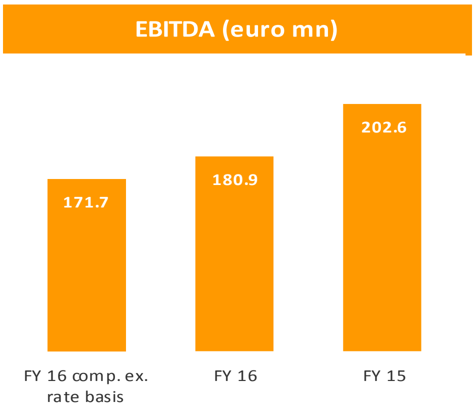
Finally, in the area "Rest of the World" the Group's sales were 135.5 million euros, slightly higher than last year. Korea registered a solid double-digit growth of revenues; Japan was broadly flat compared to last year, despite the very challenging comparison basis.

Operating results. In 2016 the Group's EBITDA came to 180.9 million euros (202.6 million euros in 2015), accounting for 18.0% of consolidated revenues (19.5% in 2015).

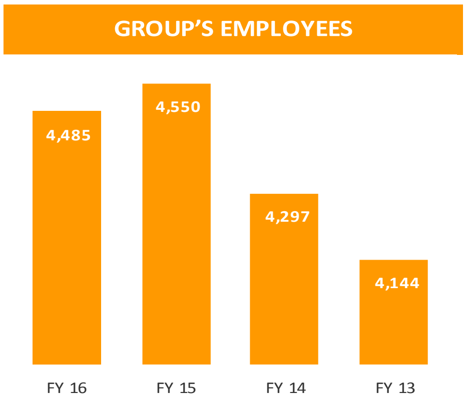
The exchange rates being equal, or with the application of average cross rates from the previous period, EBITDA would come to about 171.7 million euros.

EBITDA for the period benefitted from the preliminary results of the efficiency rationalisation and improvement plan that was started by the Group during the year, and was affected by a slight reduction in gross profit margins, mainly as a result of a different mix of product, geographical area and distribution channel at the top line level. Business margins continued to record excellent results, thus confirming the positioning of the Group brands in the highest end of the luxury market.

With reference to the distribution channel, note in particular an increase in the weight of sales from indirect channels, which also benefitted from the expansion of the franchise network. Costs for leases and rentals (locations and royalties payable) came to 117.4 million euros, showing a reduction of 11.0 million euros compared to 2015 (128.4 million euros) and benefitting from reduced costs of royalties payable, arising from the acquisition of the ROGER VIVIER brand that took place in January 2016. Therefore, the impact on revenues passed from 12.4% in 2015 to 11.7% of the current period.



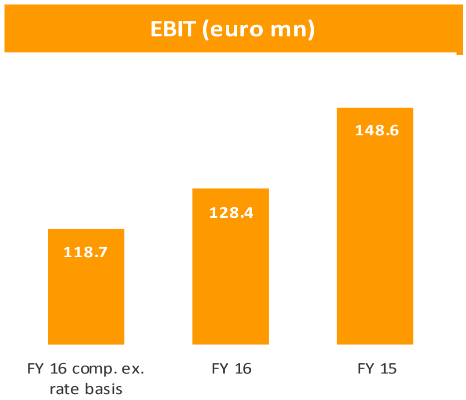
The reduction in costs for royalties payable was partly offset by increased rental costs in the direct distribution network, which was the obvious consequence of the expansion of the DOS network (the number of DOS reported an increase of 15 during the period from December 2015 to December 2016).
The cost incurred for salaries payable to the personnel working for the Group also showed a slight increase, coming to 186.2 million euros in 2016 against 183.3 million euros in 2015, accounting for 18.5% of the Group revenues in 2016 against 17.7% in 2015.



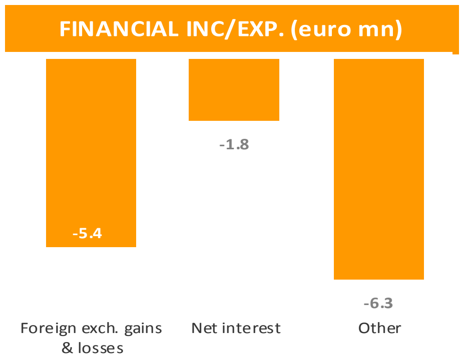
The increase in the expense was mainly due to the number of staff members, which was higher on average during the year just ended compared to 2015, above all as a result of the expansion of the direct distribution network. In fact, the average number of employees in 2016 was 4,514 units against an annual average of 4,464 units in 2015. In 2016 amortisation/depreciation and write-downs of fixed assets amounted to 50.6 million euros against 51.2 million euros in 2015, and included write-downs for impairment of fixed intangible and tangible assets for 4.4 million euros (1.7 million in 2015 euros).

At December 31st, 2016 amortisation and depreciation accounted for 4.6% of the Group revenues, substantially in line with the value posted in the previous year (4.7%).

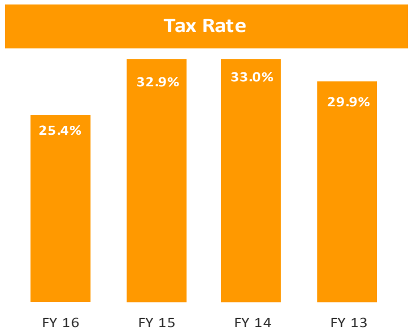
Net of additional provisions totalling 2.0 million euros, EBIT for the period came to 128.4 million euros (148.6 million euros in 2015), showing a reduction of 20.2 million euros and accounting for 12.8% of consolidated sales (14.3% in 2015). The exchange rates being equal, EBIT or the period would come to 118.7 euros million.



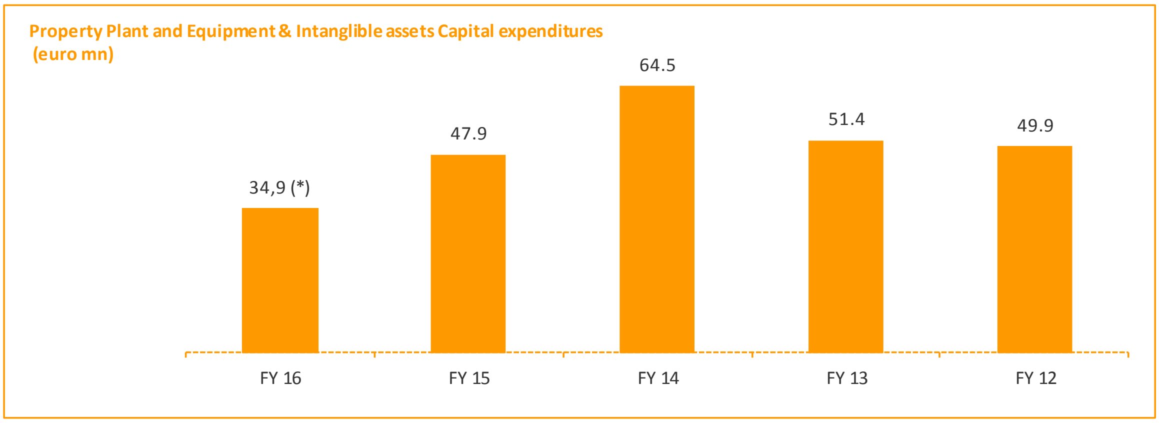
The balance of financial income and costs, which posted a negative value of 13.4 million euros, was affected by the performance of cross rates of some currencies with which the Group operates. The balance was also affected by interest expense of about 2.7 million euros (0.9 million euros in 2015) on loans, and by an amount of about 3.1 million euros taken to profit or loss, concerning the negative fair value of interest rate swaps in place to hedge the medium/long



-term syndicated loan raised by TOD'S S.p.A., as a result of the unwinding operations carried out during the year (for more details, reference should be made to the explanatory notes to the consolidated financial statements). Income taxes for the year amounted to 29.2 million euros, including the effects of deferred taxes, at a tax rate that comes to 25.4%, showing a considerable reduction compared to 32.9% in 2015. In 2016 taxes benefitted from the recognition of a financial contribution amounting to about 7.4 million euros, relating to the 2015 and 2016 financial years, arising from the "Patent box", as commented on above. At December 31st, 2016 the consolidated profit, equal to 85.8 million euros (against 92.1 million euros in 2015), accounted for 8.5% of consolidated revenues against 8.9% in 2015.

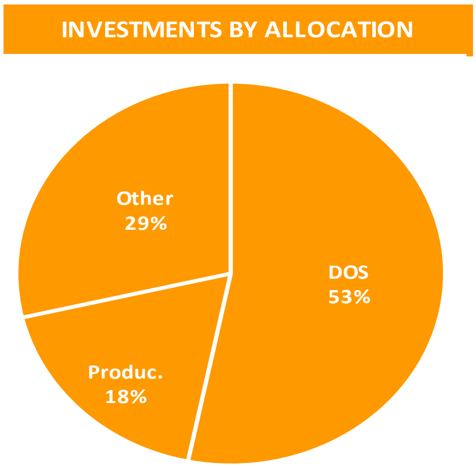


Capital expenditures. Capital expenditures in the 2016 financial year, net of investments for the acquisition of the ROGER VIVIER brand, equal to 415 million euros, totalled 34.9 million euros against 47.9 million euros in 2015.



(*) It doesn't include the investment for ROGER VIVIER brand acquisition, for 415 million euros.

The Group invested an amount of about 18.6 million euros (against 25.5 million euros at December 31st, 2015) in the setting up of new DOS, including major sites as the new TOD'S outlet in Miami and the new TOD'S flagship store in Singapore, and in the renovations of existing stores, including the TOD'S flagship store in London, at Bond Street, which was also the object of a major expansion of the sales area. The remaining amount of investments for the year was allocated to the normal process of refurbishment of facilities and upgrading of industrial equipment (mainly forms, dies and moulds), as well as to the development of business management systems (software).



Net financial position and cash flow. At December 31st, 2016 the net financial position posted a negative value of 35.4 million euros (it was positive for 134.2 million euros at December 31st, 2015), and it is formed by Cash and cash equivalents (cash and bank deposits) for 227.7 million euros (217.8 million euros at December 31st, 2015) and financial liabilities for 263.1 million euros (83.6 million euros at December 31st, 2015), of which 197.1 million euros as non-current financial liabilities (59.7 million euros at December 31st, 2015).

euro 000's Net financial position	12.31.16	12.31.15	Change
Current financial assets			
Cash and cash equivalents	227,706	217,801	9,906
Cash	**227,706**	**217,801**	**9,906**
Current financial liabilities			
Current account overdraft	(15,714)	(13,737)	(1,977)
Current share of medium-long term financing	(50,234)	(10,084)	(40,150)
Current financial liabilities	**(65,948)**	**(23,822)**	**(42,127)**
Current net financial position	**161,758**	**193,979**	**(32,221)**
Non-current financial liabilities			
Financing	(197,139)	(59,743)	(137,395)
Non-current financial liabilities	**(197,139)**	**(59,743)**	**(137,395)**
Net financial position	**(35,381)**	**134,236**	**(169,617)**

At December 31st, 2016 the financial debt included, among other things, the financial liability relating to the syndicated loan agreement entered into with Mediobanca and Crédit Agricole in 2014, which was aimed at supporting the acquisition of the ROGER VIVIER brand, as commented on above. This loan, which entailed an initial drawdown of 300 million euros, was subject to a partial early repayment of 95 million euros in November 2016.

At December 31st, 2016 the NFP would amount to about 230.6 million euros (+35.1 million euros compared to the value posted at the beginning of the year), including the effects linked to *i)* the acquisition of the ROGER VIVIER brand, *ii)* the capital increase that took place during the year and *iii)* the distribution of dividends.

euro 000's Statement of cash flows	Year 16	Year 15
Net Cash and cash equivalents at the beginning of the period	**204,063**	**154,961**
Cash flows from operating activities	212,587	138,175
Interests and taxes collected/(paid)	(62,903)	(30,519)
Net cash flows from operating activities	**149,684**	**107,655**
Cash flow generated (used) in investing activities	**(466,478)**	**(47,139)**
Cash flow generated (used) in financing activities	**318,273**	**(19,207)**
Translation differences	6,450	7,792
Net Cash and cash equivalents at the end of the period	**211,993**	**204,063**

Operating activities during the year generated cash of 212.6 million euros (against 138.2 million euros in 2015). Net of any effects arising from non-recurring transactions that took place during the year, the figure amounts to 187.6 million euros, showing an increase of 49.4 million euros compared to 2015. This positive performance was mainly attributable to a careful management of operating working capital. Net of taxes and interest expense, Cash Flows from operating activities amounted to 149.7 million euros (107.7 million euros at December 31st, 2015).

Cash flows from investing activities mainly arose from the acquisition of the ROGER VIVIER brand. Cash flows from financing activities included the abovementioned capital increase, as well as the drawdown of the loan raised with Mediobanca and Crédit Agricole for the completion of the acquisition of the ROGER VIVIER brand and the distribution of dividends of 66.2 million euros that took place during the period.

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	12.31.16		12.31.15	
	Net Profit	Share equity	Net Profit	Share equity
Parent Company	**64,180**	**878,970**	**85,663**	**671,866**
Difference between book value of consolidated Companies and net equity method valutation	1,063	280,095	12,561	283,999
Goodwill from Business combination Parent Company		(13,685)		(13,685)
Goodwill from Business combination Group		12,232		12,232
Others (*)	21,049	(70,401)	(5,489)	(92,380)
Minority interest	(524)	3,269	(647)	4,048
Group	**85,768**	**1,090,481**	**92,088**	**866,081**

(*) Mainly dividends and intercompany profits

Corporate Governance

The Corporate Governance system.

The Corporate Governance system of the parent company TOD'S S.p.A. is based on the traditional system, or "Latin model." The corporate bodies are:

- the Shareholders' Meeting, which has the prerogative of resolving at its ordinary and extraordinary meetings on the matters reserved to it by law or the articles of association;
- the Board of Directors, which is vested with full, unlimited authority for ordinary and extraordinary management of the Company, with the right to perform all those acts that it deems appropriate to implement and realise the corporate purpose, excluding only those reserved by law to the Shareholders' Meeting;
- the Board of Statutory Auditors, which is delegated by law to monitor i) compliance with the law, memorandum of association and compliance with the principles of proper management; ii) the adequacy of the organisational structure of the Company for matters falling under its purview, its internal control system, risks and administrative and accounting system, as well as the adequacy of the latter in fairly reporting operating performance; iii) the adequacy of directives issued to TOD'S Group companies in regard to the information that they must provide in compliance with disclosure obligations; iv) the procedures for effective implementation of the corporate governance rules set out in the Corporate Governance Code adopted by the Group; Legislative Decree 39/2010 delegates the Board of Statutory Auditors the task of monitoring the process of financial disclosure and the effectiveness of the risk control, internal audit, if applicable, and management systems, as well as independent audits and certification of the annual accounts and consolidated accounts, and the independence of the audit firm retained to do so;

The Manager in charge of preparing the company financial documents forms part of the corporate governance bodies.

The Board of Directors has set up several internal committees: the Executive Committee, the Internal Control and Risk, the Compensation Committee and the Independent Directors Committee. The last named committee has the role and significant responsibilities that the Regulation of Related Party Transactions, adopted by CONSOB with Resolution no. 17221 of March 12th, 2010 and subsequently amended, assigns to the committee comprised exclusively of independent directors.

The adopted corporate governance system is substantially based on the Corporate Governance Code of Listed Italian Companies approved by Corporate Governance Committee of Borsa Italiana S.p.A., to which the Company agreed with the resolution of the Board of Directors of April 22nd, 2015 and it is based on the reference systems represented by international best practice.

In compliance with the most recent amendments made to the Corporate Governance Code, it should be pointed out that, despite not currently belonging to the FTSE-MIB index, TOD'S S.p.A.

has adopted, on a fully voluntary basis, an internal control and risk management system that allow the staff members to report any possible irregularity or violation of applicable regulations and of internal procedures ("Whistleblowing System"), in line with domestic and international best practices, thus ensuring a specific and confidential information channel, as well as the confidentiality of the identity of the reporting party.

Furthermore, in compliance with the new recommendations governing social responsibility laid down in the Corporate Governance Code, TOD'S S.p.A. has appointed, on a fully voluntary basis, an internal committee to supervise the sustainability issues connected with the conduct of the business activity and its interaction with all of its stakeholders.

Disclosure pursuant to Article 123-bis of Legislative Decree 58/1998 (Consolidated Law on Finance)

At its meeting on March 14th 2017, the Board of Directors of the parent company TOD'S S.p.A. approved the annual Report on Corporate Governance and Shareholdings for the year 2016, which provides, among others, the disclosures mandated pursuant to Article 123-bis (1) of the Consolidated Law on Finance (T.U.F.). That report also analytically illustrates the corporate governance system of TOD'S S.p.A., and it includes not only the information required under Article 123-bis (2) T.U.F., but also a comprehensive examination of the status of implementation of the corporate governance principles recommended by the Corporate Governance Code in accordance with the "comply or explain" rule.

The reader is referred to the Annual Corporate Governance and Shareholdings Report, which is available to the public together with this Report on Operations and accounting documentation. It may be consulted in the corporate section of the www.todsgroup.com website.

Disclosure pursuant to Article 123-ter of Legislative Decree 58/1998 (Consolidated Law on Finance)

On March 14th, 2017, the Board of Directors of Tod's S.p.A. approved, in compliance with Article 123-ter of Legislative Decree 58 of February 24th, 1998 (the "Consolidated Law on Finance" or "T.U.F."), as amended, and Article 84-ter of Consob Resolution no. 11971/99 (the "Issuers Regulation"), as amended, the Remuneration Report. The Report is composed of two sections:

(i) the first is the policy of Tod's S.p.A. in regard to remuneration of the members of the Board of Directors, the General Manager, and the executives with strategic responsibilities in regard to the 2017 financial year, as well as the procedures used for adoption and implementation of this policy;

(ii) the other is aimed at representing each of the items that compose remuneration, and describing the compensation paid in 2016 to members of the Board of Directors and Board of Statutory Auditors, the General Manager and the executives with strategic responsibilities;
it will be submitted to the Shareholders' Meeting called for April 21st, 2017, which will be asked to resolve in favour of or against the first section with a non-binding resolution.
The Remuneration Report is available at the registered office of the Company and on the corporate website www.todsgroup.com.

Disclosure of Significant Companies outside the EU

TOD'S S.p.A., the parent company, directly or indirectly controls 10 companies that are incorporated and regulated pursuant to the laws of countries that do not belong to the European Union ("Significant Companies outside the EU," as defined by Consob Resolution no. 16191/2007, as amended).
In reference to these companies, note that:

- all of them prepare accounts used to prepare the consolidated financial statements. The balance sheet and income statement of these entities are provided to shareholders of TOD'S S.p.A. at the times and in the ways envisaged by applicable regulations;
- TOD'S S.p.A. has acquired the bylaws and composition and powers of the corporate bodies;
- the Significant Companies outside the EU: *i)* provide the parent company's independent auditor with information that the latter needs to audit the annual and interim accounts of the parent; *ii)* have an administrative and accounting system that is adequate for providing the management, Board of Statutory Auditors and independent auditor of the parent company with the operating, financial position and earnings figures necessary for preparing the consolidated financial statements.

In order to satisfy its own statutory obligations, the Board of Statutory Auditors of TOD'S S.p.A. has audited the adequacy of the administrative and accounting system regularly to provide the management and independent auditor of TOD'S S.p.A. with the operating, financial position and earnings figures necessary for preparation of the consolidated financial statements and the effective flow of information through meetings with the independent auditor and with the Financial Reporting Manager.

Disclosure pursuant to Consob Resolution no. 17221 of March 12th, 2010 (Related Parties Regulation)

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

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

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

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

All the information regarding existing relations with related parties in 2016 are set out in the supplementary notes.

Significant events occurred after the end of the reporting period

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

Business outlook

The Group recorded a sharp improvement in sales and results for the fourth quarter of the year just ended, also thanks to the good results obtained from the Autumn/Winter collections, which reflect the brands' DNA and the Italian style and which combine quality, craftsmanship and innovation. As regards the outlook for the current year, through the development of business strategies, as well as the continuation of cost efficiency measures, it is reasonable to expect that the Group's results will increase in terms of both revenues and margins.

Approval of Financial Statement

The consolidated financial statements of the TOD'S Group were approved by the Board of Directors on March 14th, 2017.

Milan, March 14th, 2017

The Chairman of the Board of Directors

Diego Della Valle

Financial Statements

Consolidated Income Statement

euro 000's	Note	Year 16	Year 15
Revenues			
Sales revenues (1)	24	1,004,021	1,036,959
Other income	24	36,026	11,437
Total revenues and income		**1,040,047**	**1,048,396**
Operating Costs			
Change in inventories of work in progress and finished goods (2)		(55,346)	32,901
Cost of raw materials, supplies and materials for consumption (2)		(238,625)	(287,443)
Costs for services		(228,894)	(246,759)
Costs of use of third party assets	19	(117,370)	(128,414)
Personnel costs	25	(186,208)	(183,302)
Other operating charges		(32,698)	(32,761)
Total operating costs		**(859,140)**	**(845,778)**
EBITDA		**180,908**	**202,618**
Amortisation, depreciation and write-downs			
Amortisation of intangible assets	7	(9,209)	(8,910)
Depreciation of tangible assets	8	(36,956)	(39,323)
Other adjustments	9	(4,431)	(2,997)
Total amortisation, depreciation and write-downs		**(50,596)**	**(51,230)**
Provisions		(1,951)	(2,820)
EBIT		**128,361**	**148,567**
Financial income and expenses			
Financial income	26	20,184	29,267
Financial expenses	26	(33,579)	(40,564)
Total financial income (expenses)		**(13,395)**	**(11,297)**
Income (losses) from equity investments		0	(0)
Profit before taxes		**114,967**	**137,270**
Income taxes (3)	11-27	(29,198)	(45,182)
Profit/(loss) for the period		**85,768**	**92,088**
Non-controlling interests		524	647
Profit/(loss) of the Group		**86,292**	**92,735**
EPS (in euro)	28	2.62	3.03
EPS diluted (in euro)	28	2.62	3.03

(1) Of which non-recurring for 25 million euros (Note 30).

(2) Of which non-recurring for -24.2 million euros (Note 30).

(3) Of which non-recurring for -0.3 million euros (Note 30).

Consolidated Statement of Comprehensive Income

euro 000's	Note	Year 16	Year 15
Profit (loss) for the period (A)		**85,768**	**92,088**
Other comprehensive income that will be reclassified subsequently to profit and loss:			
Utili/(perdite) sulla parte efficace degli strumenti di copertura (cash flow hedge)	18	4,410	5,820
Gains/(Losses) on currency translation of foreign subsidiaries	18	8,339	15,610
Gains/(Losses) on net investments in foreign operations	18	(4,216)	
Total other comprehensive income that will be reclassified subsequently to profit and loss (B)		**8,533**	**21,429**
Other comprehensive income that will not be reclassified subsequently to profit and loss:			
Cumulated actuarial gains/(losses) on defined benefit plans	20	(288)	588
Total other comprehensive income that will not be reclassified subsequently to profit and loss (C)		**(288)**	**588**
Total Comprehensive Income (A) + (B) + (C)		**94,013**	**114,105**
Of which:			
Attributable to Shareholders of the Parent company		94,669	114,685
Attributable to non-controlling interests		(656)	(580)

Consolidated Statement of Financial Position

euro 000's	Note	12.31.16	12.31.15
Non current assets			
Intangible fixed assets			
Assets with indefinite useful life (1)	7	565,881	149,466
Key money	7	15,847	14,938
Others intangible assets	7	23,907	26,387
Total Intangible fixed assets		**605,635**	**190,792**
Tangible fixed assets			
Buildings and land	8	114,467	110,928
Plant and machinery	8	12,452	13,206
Equipment	8	12,180	14,258
Leasehold improvement	8	40,454	45,573
Others	8	37,336	42,538
Total Tangible fixed assets		**216,888**	**226,504**
Other assets			
Investment properties	10	25	29
Equity investments		20	20
Deferred tax assets	11	58,885	51,220
Others	12	21,367	19,997
Total others assets		**80,298**	**71,265**
Total non current assets		**902,821**	**488,560**
Current assets			
Inventories	13	291,892	347,445
Trade receivables	14	118,142	111,521
Tax receivables	14	28,646	17,637
Derivative financial instruments	15	2,857	1,688
Others	14	36,635	34,297
Cash and cash equivalents	16	227,706	217,801
Total current assets		**705,879**	**730,388**
Total assets		**1,608,700**	**1,218,948**

(1) This figure includes, for 415 million euros, the amount of ROGER VIVIER brand acquired through a related party transaction occurred on January 2016 (Note 7).

continuing

euro 000's Note	Note	12.31.16	12.31.15
Equity			
Share capital	18	66,187	61,219
Capital reserves	18	416,588	214,055
Treasury stock	18		
Hedging and translation	18	25,505	12,630
Retained earnings	18	492,640	481,392
Profit/(loss) attributable to the Group	18	86,292	92,735
Total Equity attributable to the Group		**1,087,212**	**862,032**
Non-controlling interests			
Share capital and reserves		3,793	4,696
Profit/(loss) attributable to non-controlling interests		(524)	(647)
Total Equity attributable to non-controlling interests		**3,269**	**4,048**
Total Equity		**1,090,481**	**866,081**
Non-current liabilities			
Provisions for risks	19	6,059	5,485
Deferred tax liabilities	11	32,739	27,922
Employee benefits	20	14,787	12,315
Others	22	15,910	16,612
Derivative financial instruments	15	2,687	8,598
Bank borrowings	21	197,139	59,743
Total non-current liabilities		**269,321**	**130,675**
Current liabilities			
Trade payables	23	130,804	142,881
Tax payables	23	8,241	14,082
Derivative financial instruments	15	8,046	3,125
Others	23	35,859	38,283
Bank	21	65,948	23,822
Total current liabilities		**248,898**	**222,192**
Total Equity and liabilities		**1,608,700**	**1,218,948**

Consolidated Statement of Cash Flows

euro 000's	Note	Year16	Year15
Profit/(Loss) for the period		**85,768**	**92,088**
Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:			
Amortizat., deprec., revaluat., and write-downs	7-8-9-13-14	81,801	55,028
Other non monetary expenses/(income)	15-18-19	125	3,287
Income taxes for the period	27	29,198	45,182
Changes in operating assets and liabilities:			
Trade receivables	14	(7,059)	(11,754)
Inventories	13	28,647	(24,479)
Tax receivables and tax payables	14-23	15,147	(1,826)
Trade payables	23	(15,054)	(17,340)
Other assets and liabilities	12-14-22-23	(8,176)	(2,331)
Change in reserve for employee	20	2,190	318
Cash flows from operating activities		**212,587**	**138,175**
Interests (paid)/collected		(1,767)	(870)
Income taxes (paid)/refunded		(61,136)	(29,649)
Net cash flows from operating activities (A)		**149,684**	**107,655**
Net investments in intangible and tangible assets	7-8	(34,181)	(47,139)
Acquisition of Roger Vivier brand	7	(415,000)	
Acquisition of Roger Vivier Paris Sas legal entity net of cash and casl	4	(17,297)	
Other changes in fixed assets			
Cash flows generated (used) in investing activities (B)		**(466,478)**	**(47,139)**
Dividends paid	18	(66,187)	(61,669)
Capital increase	18	207,500	
Others change in Equity			
Changes in other financial liabilities			
Repayments of financial liabilities	21	(123,040)	(7,538)
Proceeds from financial liabilities	21	300,000	50,000
Cash flows generated (used) in financing (C)		**318,273**	**(19,207)**
Translation differences (D)		6,450	7,792
Cash flows from continuing operations (E)=(A)+(B)+(C)+(D)		**7,929**	**49,102**
Cash flow from assets held for sale (F)			
Cash flows generated (used) (G)=(E)+(F)		**7,929**	**49,102**
Net cash and cash equivalents at the beginning of the period		204,063	154,961
Net cash and cash equivalents at the end of the period		211,993	204,063
Change in net cash and cash equivalents		**7,929**	**49,102**

It is pointed out that, in order to improve the cash flows presentation for the year, starting from the current financial statements, some changes and reclassifications have been done on the statement of cash flows adopted by the Group (Note 3.22 of the Supplementary Notes). As a consequence, only for comparison purposes, the statement of cash flows at December 31st, 2015 has been reinstated in accordance with the new classification.

Consolidated Statement of changes in equity

Year 2016 euro 000's	Share Capital	Capital reserves	Hedging and reserve for translation	Retained earnings	Group interests	Non-controlling interests	Total
Balances as of 01.01.16	**61,219**	**214,055**	**12,630**	**574,127**	**862,032**	**4,048**	**866,081**
Profit & Loss account				86,292	86,292	(524)	85,768
Directly in equity			12,875	(4,498)	8,377	(132)	8,245
Total Comprehensive Income			**12,875**	**81,794**	**94,669**	**(656)**	**94,013**
Dividend paid				(66,187)	(66,187)		(66,187)
Capital increase	4,968	202,532			207,500		207,500
Share based payments							
Other (1)				(10,802)	(10,802)	(123)	(10,925)
Balances as of 12.31.16	**66,187**	**416,588**	**25,505**	**578,932**	**1,087,212**	**3,269**	**1,090,481**

Year 2015 euro 000's	Share Capital	Capital reserves	Hedging and reserve for translation	Retained earnings	Group interests	Non-controlling interests	Total
Balances as of 01.01.15	**61,219**	**214,055**	**(8,747)**	**543,003**	**809,531**	**5,078**	**814,609**
Profit & Loss account				92,735	92,735	(647)	92,088
Directly in equity			21,377	573	21,950	67	22,017
Total Comprehensive Income			**21,377**	**93,308**	**114,685**	**(580)**	**114,105**
Dividend paid				(61,219)	(61,219)	(450)	(61,669)
Capital increase							
Share based payments							
Other				(965)	(965)		(965)
Balances as of 12.31.15	**61,219**	**214,055**	**12,630**	**574,127**	**862,032**	**4,048**	**866,081**

[(1)] *They include the difference between the purchase price and the net asset related to the company Roger Vivier Paris Sas, amounting to 9.8 million euros (Note 4).*

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, 2016 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. on March 14th, 2017 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. The consolidated financial statements is prepared in euro currency, on the basis of draft Financial Statements at December 31st, 2016 (January 1st – December 31st) approved by the respective boards of directors or, if there was no board of directors, by the sole directors, of the legal entities included in the consolidation scope. Because the closing date of its fiscal year does not coincide with the reference date of the consolidated financial statements, Tod's India Retail 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.

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, 2015, except for the information reported below in relation to any amendments, interpretations and new accounting standards applicable from January 1st, 2016.

Accounting standards, amendments and interpretations endorsed by the European Union, which will be applicable from January 1st, 2016 and which were first adopted in the TOD'S Group's consolidated financial statements at December 31st, 2016

• Amendments to IAS 27: Equity Method in Separate Financial Statements. These amendments, which were published in August 2014 and were approved by the European Union in December

2015, allow the equity method to be used in the preparation of separate financial statements, in addition to other methods (cost method, IFRS 9/IAS 39) set out to account for investments in subsidiaries, associates and joint ventures. The application of these amendments has had no impact on the Group.

• Amendments to IAS 1: Disclosure Initiative. These amendments, which were published in December 2014, provide a set of clarifications on the concepts of relevance and aggregation, the methods of presentation of partial results in addition to those required by IAS 1, the structure of the notes and the disclosures on significant accounting policies. The application of these amendments has had no impact on the Group.

• Amendments to IFRS 10, IFRS 12 and IAS 28. These amendments, which were published in December 2014, were aimed at clarifying the methods of accounting for the results from investing activities inside a Group. The application of these amendments has had no impact on the Group.

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

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

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

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

Accounting standards, amendments and interpretations endorsed by the European Union, which will be applicable from January 1st, 2017 and which have not been adopted early by the TOD'S Group.

• IFRS 15 – Revenue from Contracts with Customers. On May 28th, 2014 the IASB published a document which requires an entity to recognise revenue at the time the control of goods or services is transferred to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services. The new revenue recognition model sets out a process in five steps

1) Identifying the contract with a customer;
2) Identifying the performance obligations;
3) Determining the transaction price;
4) Allocating the transaction price to the performance obligations;
5) Recognising revenue when the entity satisfy a performance obligation.

The new standard also requires additional disclosures regarding the nature, amount, timing and uncertainty of the revenue and cash flows arising from these contracts with customers. The IASB expects to adopt it from 2018, while the European Union endorsed it on September 22nd, 2016. Furthermore, on April 12th, 2016 the IASB published amendments to the standard: Clarifications to IFRS 15 Revenue from Contracts with Customers, which are also applicable as from January 1st, 2018. These amendments are aimed at clarifying the procedures to identify an entity as a "Principal" or as an "Agent" and to establish whether revenues from licences must be deferred throughout the term thereof.

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

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

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

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

The IASB expects to adopt it from 2018, while the European Union endorsed it on November 22nd, 2016. Based on a preliminary analysis, the future adoption of this standard should not have any significant impact on the Group's financial statements.

Accounting standards, amendments and interpretations published by the IASB but not yet endorsed by the European Union.

• IFRS 14 – Regulatory Deferral Accounts. On January 30th, 2014 the IASB published the document as the first step in the wider Rate-regulated activities project, which was started by the IASB in September 2012. IFRS 14 allows entities, but only those which are first-time adopters of IFRS, to continue to recognise the amounts of assets/liabilities subject to rate regulation according to the accounting standards previously adopted. In order to enhance comparability with entities that already apply IFRS and do not recognise these amounts separately, the standard requires the effect of rate-regulated activities to be presented separately from other items in the statement of financial position, the income statement and the statement of comprehensive income. IFRS 14 came into force on January 1st, 2016, but the European Commission decided to suspend the endorsement process, pending the drawing up of the new accounting standard on rate-regulated activities.

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

• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Asset between an Investor and its Associate or Joint Venture (issued on September 11th, 2014). The document is aimed at resolving a conflict existing between the provisions laid down under IFRS 10 and those under IAS 28 in the event that an investor sells or contributes a business to an entity from among its associates or joint ventures, providing for the full recognition of any capital gain or loss arising from the loss of control at the time of the sale or contribution of the business, or for a partial recognition in the event that only single assets are involved. The IASB has postponed its adoption until the IASB project on the equity method is completed. From a preliminary analysis it emerges that the possible future adoption of this standard should have no significant impact on the Group's financial statements;

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

• Amendments to IAS 7: Statement of Cash Flows. These amendments, which were issued by the IASB on January 29th, 2016, require information to be provided in the financial statements about changes in financial liabilities, aimed at improving the disclosures provided to investors in order to help them to better understand the changes recorded in said payables. The IASB expects to adopt them from January 1st, 2017. Based on a preliminary analysis, the future adoption of this standard should not have any significant impact on the Group's financial statements.

• Amendments to IFRS 2: Clarifications of Classification and Measurement of Share-based Payment Transactions. These amendments, which were published by the IASB on June 20th, 2016, provide some clarifications relating to the method of accounting for the effects of vesting conditions in the case of cash-settled share-based payments, the classification of share-based payments on a net settlement basis and any change in the terms and conditions of a share-based payment implying its reclassification from cash-settled to equity-settled items. The amendments will become applicable from January 1st, 2018. Based on a preliminary analysis, the possible future adoption of this standard should not have any significant impact on the Group's financial statements.

• Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts. These amendments were issued by the IASB on September 12th, 2016, with the effective date being expected on January 1st, 2018. The amendments were intended to address concerns about the application of IFRS 9 on financial instruments before the introduction of the new insurance contract standards. Furthermore, the amendments provide two options for entities that enter into insurance contracts within the scope of IFRS 4: i) an option that would permit entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; and (ii) an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4. Based on a preliminary analysis, the possible future adoption of this standard should not have any significant impact on the Group's financial statements.

• Amendments to IAS 40: regarding transfers of investment property. These amendments were issued by the IASB on December 8th, 2016, with the effective date being expected on January 1st , 2018.

The amendment provides as follows: i) paragraph 57 of IAS 40 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use; ii) the list of evidence in paragraph 57(a) – (d) is designated as non-exhaustive list of examples. Based on a preliminary analysis, the possible future adoption of this standard should not have any significant impact on the Group's financial statements.

• IFRIC 22: Foreign Currency Transactions and Advance Consideration. This interpretation, which was issued by the IASB on December 8th, 2016, covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts. The IASB expects to adopt it from January 1st, 2018. Based on a preliminary analysis, the possible future adoption of this interpretation should not have any significant impact on the Group's financial statements.

• Annual improvements to IFRS Standards: 2014-2016 Cycle. This document was issued by the IASB on December 8th, 2016, the effective date being expected on January 1st, 2018. This session concerned the following topics: i) IFRS 1: short-term exemptions provided for in paragraphs E3-E7 are eliminated, since the reasons for their provision have ceased to exist; ii) IFRS 12: clarifications are provided about the purpose of the standard, specifying that the disclosure requirements, except for those laid down in paragraphs B10-B16, apply to the interests of an entity listed in paragraph 5, which are classified as held for sale, for distribution or as discontinued operations pursuant to IFRS 5; iii) IAS 28: it is clarified that it is possible to make the decision to measure, at fair value through profit or loss, any investment in a subsidiary or a joint venture held by a venture capital company, in relation to each investment in subsidiaries or joint ventures since their initial recognition. Based on a preliminary analysis, the possible future adoption of this standard should not have any significant impact on the Group's financial statements.

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 control when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, as defined by IFRS 10 – Consolidated Financial Statements.

The 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 2016		Year 2015	
	Exch. rates as of year end	Average exch. rate	Exch. rates as of year end	Average exch. rate
U.S. dollar	1.054	1.106	1.089	1.109
British pound	0.856	0.816	0.734	0.726
Swiss franc	1.074	1.090	1.084	1.067
Hong Kong dollar	8.175	8.586	8.438	8.597
Japanese yen	123.400	120.065	131.070	134.210
Hungarian forint	309.830	311.432	315.980	309.811
Singapor dollar	1.523	1.527	1.542	1.524
Korean won	1,269.360	1,283.419	1,280.780	1,254.024
Macao pataca	8.420	8.845	8.692	8.855
Chinese renmimbi	7.320	7.348	7.061	6.968
Indian rupee	71.594	74.330	72.022	71.104
Albanian lek	135.631	137.317	137.020	139.684
Brazilian real	3.431	3.836	4.312	3.637
Canadian dollar	1.419	1.465	1.512	1.416
Australian dollar	1.460	1.487	1.490	1.474
Danish krone	7.434	7.445	7.463	7.459

3.5 Derivative financial instruments. The fundamental characteristics of the derivative financial instruments are set out in the paragraph on Derivative financial instruments (Note 15). 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.

According to hedge accounting rules, derivatives are recognised in the balance sheet at fair value; how fair value changes are reported differs according to the type of hedge on the measurement date:

- any changes in the fair value of derivatives that hedge forecast transactions (i.e. cash flow hedge) are recognised directly in the appropriate equity reserve, 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 the appropriate equity reserve 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 equity reserve 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.

3.6 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. 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, 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. 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 overhead 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.

3.7 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. Leasing. Lease agreements in which the Group assumes all the risks and benefits deriving from ownership of the asset are classified as finance leasing. The assets (real estate, plant, and machinery) possessed pursuant to these agreements are recorded under property, plant, and equipment at the lesser of their fair value on the date the agreement was made, and the current value of the minimum payments owed for leasing, net of accumulated depreciation and any impairment losses (according to the rules described in the section *Impairment losses*). A financial payable for the same amount is recognized instead under liabilities, while the component of interest expenses for finance leasing payments is reported on the profit and loss account according to the effective interest method.

iii. 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.

iv. 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.

v. 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.

3.8 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.

3.9 Financial assets. These are recognized and cancelled on the balance sheet according to the trading date and are initially valued at fair value which generally correspond to the cost, including costs directly related with the acquisition.
At the subsequent financial statement dates, the financial assets that the Group intends and is able to hold until maturity (securities held to maturity) are recognized at the amortized cost according to the effective interest method, net of impairment losses.
Financial assets other than those held to maturity are classified as held for trading or available for sale, and are recognized at their fair value at the end of each period. When the financial assets are held for trading, the profits and losses deriving from changes in the fair value are recognized in the profit and loss account for the period. In the case of financial assets available for sale, the profits and losses deriving from changes in the fair value are recognized directly in shareholders' equity until they are sold or have sustained a loss in value. At that time, the aggregate profits or losses that were previously recognized in shareholders' equity are recognized on the profit and loss account of the period.

3.10 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.

3.11 Trade receivables and other receivables. These are initially recognised at fair value, including transaction costs, and subsequently measured at amortized cost. The measurement considers the recoverable amount of the assets through the recognition of a specific allowance for doubtful accounts determined as follows:

- 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.

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 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, 2016.

3.14 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.

3.15 Payables.

i. **Bank overdrafts and financing.** Interest-bearing financing and bank overdrafts are initially recognized at fair value, net of transaction costs, and subsequently valued at the amortized cost, using the effective interest method.
ii. **Trade payables and other payables.** These are measured at fair value which generally correspond to their nominal value.

3.16 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.

3.17 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.

3.18 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.

3.19 Revenues recognition. Revenues are recognized on the profit and loss account when the significant risks and benefits connected with ownership of the transferred assets are transferred to the buyer. In 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. These revenues are recognised when the goods are shipped and considering the estimated effects of returns at the end of the year.

iii. Provision of services. This income is recognised in proportion to the percentage of completion for the service provided on the reference date.

iv. Royalties. These are recognised on the financial statements on accrual basis.

3.20 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 finance leasing (IAS 17) 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.

3.21 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 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.

3.22 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. Starting from the current financial statements, the Statement of cash flows has been modified and reclassified. In detail, in order to improve the representation of cash flows for the period, the following adjustments have been done: i) corporate taxes paid/reimbursed and financial interests paid/collected have been presented separately (IAS 7, par. 35) in the appropriate section of operating cash flow, ii) non-current assets, mainly related to security deposits, have been reclassified from investing activities to operating activities, iii) repayments and proceeds from financial liabilities have been presented separately in the financing section of the statement of cash flows, previously presented as a net variation.

4. Scope of Consolidation

Changes in the scope of consolidation at December 31st, 2016 in respect to December 31st, 2015 are due to the incorporation of TOD'S Massachussets Inc. occurred on March 16th, 2016 and 100% owned by An.Del. USA Inc. and, following the acquisition, occurred last January 27th, 2016, of Roger Paris Sas 100% owned by Roger Vivier France Sas.

Concerning the latter, due to the fact that such acquisition was a related party transaction under common control (Note 29), the consolidation of the acquired net assets has been done at book values, so, the difference between the purchase price, for 20 million euros, and net assets book value, for 10.2 million euros, have been represented as a reduction of equity reserves for 9.8 million euros. It's pointed out that, with no significant effects on consolidation, Roger Vivier Paris sas has been consolidated on January 1st, 2016 as the acquisition had been done in such a date.

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

Moreover, TOD'S Luxembourg, which was not operative since last year, has been liquidated during the current year.

These operations represent the only changes in the scope of consolidation from the Consolidated Financial Statements at December 31st, 2015.

The scope of consolidation, complete details of which are provided hereunder, has not undergone other changes:

Parent Company

TOD'S S.p.A.
S.Elpidio 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%

Del.Com S.r.l.
S.Elpidio a Mare - Italy
S.C. - euro 31,200
% held: 100%

Holpaf B.V.
Amsterdam – Netherlands
S.C. - euro 5,000,000
% held: 100%

TOD'S Brasil Ltda
San Paolo – Brasil
S.C. – Real 30,060,000
% held: 100%

Roger Vivier S.p.A.
S.Elpidio a Mare – Italy
S.C. – euro 10,000,000
% held: 100%

TOD'S Danmark APS
Copenhagen - Denmark
S.C. – Dkk 500,000
% held: 100%

TOD'S Austria Gmbh
Vienna - Austria
S.C. – euro 50,000
% 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%

Indirect subsidiaries

Hono.Dl. 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%	**Sandel SA** San Marino S.C. - euro 258,000 % 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%
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 India Retail 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: 50%
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%
Re.Se.Del. S.r.l. S.Elpidio a Mare - Italy S.C. - euro 25,000.00 % held: 100%	**Del.Pav. S.r.l.** S.Elpidio a Mare - Italy S.C. - euro 50,000 % held: 50%	**Filangieri 29 S.r.l.** S.Elpidio a Mare - Italy S.C. - euro 100,000 % held: 50%	**Roger Vivier Japan KK** Tokyo – Japan S.C. – Jpy 10,000,000 % 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%

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

5. Segment reporting

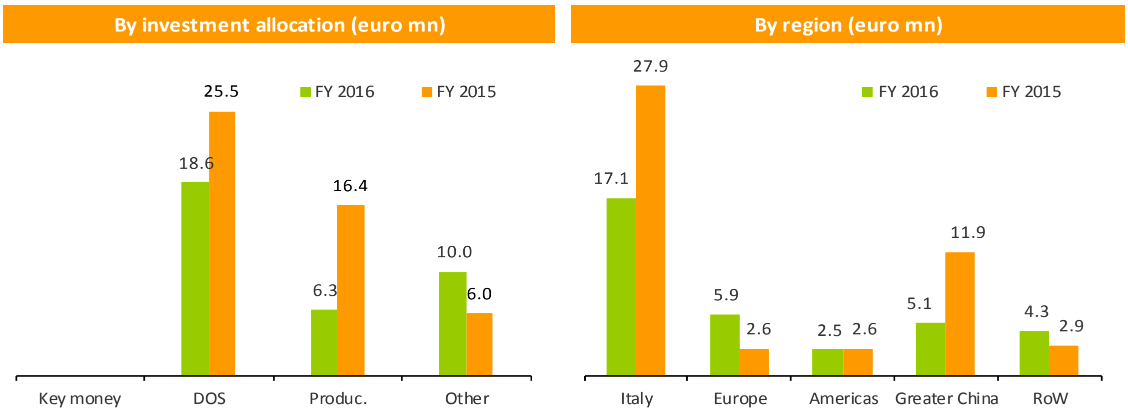
The search for higher levels of operating efficiency has identified as key element for maximising profitability via the sharing of a significant portion of service activities (first and foremost production), both at the central and peripheral levels; on the contrary, segmentation of the business appears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

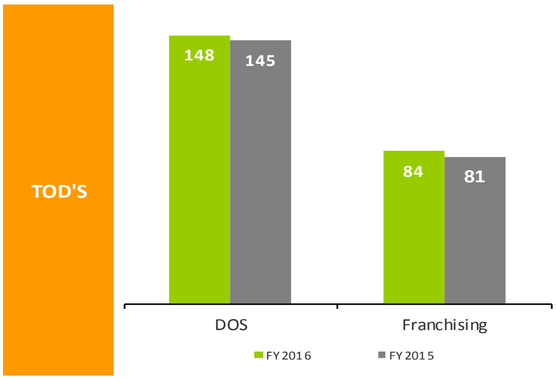
2016 *Capital expenditures*

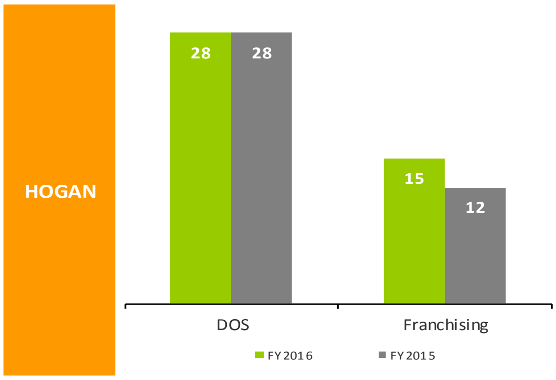


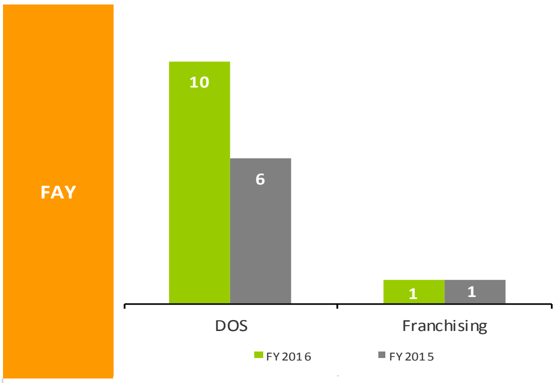
The tables illustrated above don't include both the amount of the acquired brand ROGER VIVIER (415 million euros) and the tangible and intangible assets of the company Roger Vivier Paris sas (about 3.6 million euros).

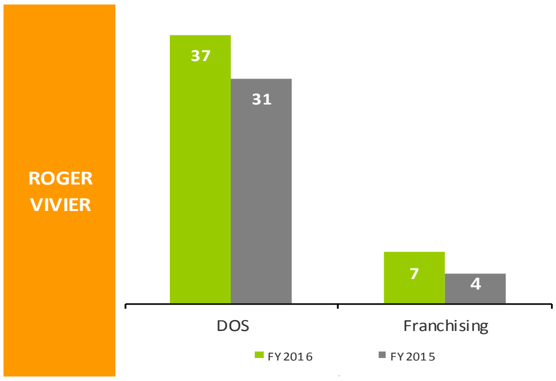
Distribution network

TOD'S Group - Distribution channel		Year 16	Year 15
Italy	DOS	48	45
	FRANCHISED STORES	2	2
Europe	DOS	58	53
	FRANCHISED STORES	19	19
Americas	DOS	22	21
	FRANCHISED STORES	2	3
Greater China	DOS	83	81
	FRANCHISED STORES	31	26
RoW	DOS	61	57
	FRANCHISED STORES	53	48
Total DOS		**272**	**257**
Total FRANCHISED STORES		**107**	**98**









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 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 2016 resulting from wholesale distribution channel are 37.2% 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, 2016 gross of allowance for doubtful accounts:

In euro 000's		Overdue			
	Current	0 > 60	60 > 120	Over	Total
From third parties	81,425	27,126	6,178	9,184	123,914

The prudent estimate of losses on the entire credit mass existing at December 31st, 2016 was 5.8 million euros. The total amount of overdue receivables at December 31st, 2016 for 42.5 million euros is now about 13.8 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. Particular attention is paid to the definition of the credit counterparty that is considered to be suitable for cash operations and that is identified according to increasingly selective liquidity, security and yield criteria and in line with the Management's instructions.
In connection with the syndicated loan for a total of 400 million euros, on January 27th, 2016 the Company drawn definitely 300 million euros (Note 16) used for the completion of ROGER VIVIER brand acquisition. The said loan has been partially early refunded in November 2016 for an amount of 95 million euros. Furthermore, it should be noted that, the Company, in order to borrow the liquid funds needed to meet any possible requirement connected with ordinary sales and general corporate operation, entered into three loan agreements, by which have been granted three medium/long-term revolving credit facilities respectively by: i) 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, for a maximum amount of 100 million euros, ii) Unicredit S.p.A., signed on November 9th 2016, for a maximum amount of 100 million euros and iii) B.N.L. S.p.A., signed on November 28th 2016, for a maximum amount of 100 million euros. These credit facilities will be available for a period of 3 years. At December 31st, 2016 no amount has been used in connection with the above mentioned credit facilities.
Considering the Company profitability and its capacity to generate cash, it's reasonable to believe that liquidity risk is not significant. Moreover, it should be noted that such capacity of generating cash may allow Company to meet these commitments in a period of time that is potentially shorter than that in which the loans and credit facilities are expected to be available.
Finally, as regards financial operations, the Group's policy is to continue to invest all of its available liquid funds in sight bank deposits or in short-term liquidity, without making use of financial instruments, including those of the money market, and dividing its deposits among an adequate number of banks, which are carefully selected by taking account of financial soundness and reliability parameters, geographical location and level of remuneration offered.

iii. Market risk

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 Group's risk management policy, in connection to the exchange rate risk on commercial transactions, aims to ensure that the average countervalue in euros of receipts on transactions denominated in foreign currencies for each collection (Spring/Summer and Fall/Winter) is equal to or greater than what would be obtained by applying the pre-set target exchange rates. The Group pursues these aims by entering into forward contracts for each individual currency to hedge a specific percentage of the expected revenue (and cost) volumes in the individual currencies other than the functional currency.

These positions are not hedged for speculative or trading purposes, consistently with the strategic policies adopted for prudent management of cash flows. Consequently, the Group might forego opportunities to realise certain gains, but it avoids running the risks of speculation.
The Group defines its exchange risk *a priori* according to the budget for the reference period and then gradually hedges this risk upon acquisition of orders, in the amount according to which they correspond to budget forecasts.
The process of hedging exchange rate risk inside the Group is broken down into a series of activities that can be grouped into the following distinct phases:

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

In connection with the exchange rate risk on financial intercompany transactions, the Group monitors the risk underlying outstanding liabilities (loans) and forecast liabilities (dividends and capital increases), in view of guaranteeing that no material operating and financial impact for the entities involved results from these transactions in relation to fluctuations in exchange rates. These goals are pursued by the Group through monitoring the foreign exchange rate trends related to outstanding or expected capital transactions and entering into forward contracts if they will have material contingent effects. These forward contracts are made to hedge the individual transactions, and not for speculation or trading. This is consistent with the strategic policies focused on prudent management of cash flows. The breakdown of forward currency contracts (for sale and purchase) made by the Group is illustrated in Note 15.
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 2016	FY 2015	FY 2016	FY 2015
CAD	Canada	(20,955.3)	(75,685.7)	23,161.1	83,652.6
CHF	Switzerland	(1,604.1)	(761.8)	1,772.9	842.0
GBP	UK	10,802.5	(10,512.1)	(11,939.6)	11,618.6
HKD	Hong Kong	317,402.7	145,926.4	(350,813.5)	(161,287.0)
JPY	Japan	9,199.4	(23,233.4)	(10,167.7)	25,679.1
KRW	South Korea	(366.6)	(425.5)	405.2	470.3
RMB	China	(116,117.1)	(1,083,298.3)	128,339.9	1,197,329.8
SGD	Singapore	16,038.6	33,658.0	(17,726.8)	(37,200.9)
USD	USA	74,799.4	(72,671.5)	(82,673.0)	80,321.1
EUR	Europe	15,996.1	7,309.8	(17,680.0)	(8,079.2)
Other	n.a.	(238,359.1)	(134,631.9)	263,449.5	148,803.7
Total		**66,836.5**	**(1,214,326.3)**	**(73,872.0)**	**1,342,150.1**

euro 000's	Revaluation / Writedown foreign currency	Impact on pre-tax profit	Impact on Shareholders' equity
FY 2016	5%	(73.9)	(5,578.0)
	-5%	66.8	5,752.0

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 a syndicated loan signed with Mediobanca and Crédit Agricole, definitively drawn for 300 million euros, with variable interest rate equal to EURIBOR 3M + 0,90 basis points. To hedge the risk of possible changes in the interest rates on the loan, two derivative contracts (interest rate swaps - IRSs), have been signed, for a notional amount equal to the amount drawn for the loan (Note 15). These derivatives protect the Company from the risk of a generalised rise in interest rates, swapping the variable rate on the loan (3-month EURIBOR + 90 basis points) for a contractually fixed rate (a quarterly rate of 0.748%). Such transactions have been recognised in accordance with cash flow hedge methodology provided by IAS39.

In addition to the above mentioned syndicated loan, TOD'S S.p.A. entered into two loan agreements with BNL S.p.A. (BNP Paribas Group) and Intesa San Paolo S.p.A. respectively, for an amount of 25 million euros each; the reimbursements will be respectively in four years with a payment of 16 instalments at the end of every quarter and one-shot with a single payment at the expiry date. Interests rates are variables and equal to the EURIBOR 3m + 0.42% and EURIBOR 3m +0.5% respectively (Note 21). Considered the current financial markets situation and the current EURIBOR reference rate, the Group doesn't believe necessary to put in place hedging derivatives for such loans. The financial market trend and the related benchmark interests rates are constantly monitored by the Group, and, in case there could be an increase of risks in connection with the above mentioned loans, the Group will put in place appropriate hedging instruments in accordance with the strengthened Group practice.

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, 2016 would have a net pre-tax impact of about 13 thousand euros in additional expenses (FY 2015: 32 thousand euros).

Finally, the financial liabilities (Notes A1 and A2) issued by the subsidiary Holpaf B.V. (Note 21) are subject to a fixed rate of 2.94% and 3.239%, respectively.

iv. Categories of measurement at fair value

In accordance with IFRS 7, 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 fair value of derivative financial instruments existing at December 31st, 2016 (Note 15) has been classified as Level 2. The fair value of minorities interests in other equity investments has been classified as Level 3. There are no other financial instruments measured at fair value. It is reasonable to deem that the fair value of financial assets and liabilities measured at amortised cost, given their nature, does not differ significantly from their carrying amounts.

7. Intangible fixed assets

7.1 Intangible assets with undefined useful life. Assets with indefinite useful life amount to 565,881 thousand euros, and are constituted as follows:

euro 000's	12.31.16	12.31.15
Trademarks	553,649	137,235
Goodwill	12,232	12,232
Total	**565,881**	**149,466**

Trademarks. This item includes the values of the Group four own brands (TOD'S, HOGAN, FAY and ROGER VIVIER).

euro 000's	12.31.16	12.31.15
TOD'S	3,741	3,741
HOGAN	80,309	80,309
FAY	53,185	53,185
ROGER VIVIER	416,414	
Total	**553,649**	**137,235**

The increase of trademarks is entirely related to the acquisition of ROGER VIVIER brand for an amount of 415 million euros (Note 29) and related directly attributable expenditures (amounting to 1.4 million euros).

Goodwill. They are related to acquisitions of controlled companies and they have been determined in accordance with the acquisition method (IFRS 3).

7.2 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 trade marks	*Software*	Other assets	Total
Balance as of 01.01.15	**16,676**	**4,346**	**8,522**	**14,543**	**27,411**
Translation differences	7			2	2
Increases	254	587	2,842	2,634	6,063
Decreases				(177)	(177)
Impairment losses (Note 9)					
Other changes					
Amortization for the period	(1,999)	(748)	(3,619)	(2,546)	(6,912)
Balance as of 12.31.15	**14,938**	**4,186**	**7,745**	**14,456**	**26,387**
Translation differences	(8)		1	4	5
Increases		568	3,804	567	4,939
Decreases				(216)	(216)
Impairment losses (Note 9)			(22)		(22)
Other changes	2,940				
Amortization for the period	(2,023)	(804)	(3,669)	(2,712)	(7,186)
Balance as of 12.31.16	**15,847**	**3,949**	**7,859**	**12,099**	**23,907**

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

Other changes are related to the assets purchased with the acquisition of the already mentioned subsidiary Roger Vivier Paris Sas.

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.

The increase recorded in "Other Assets" is mainly due to long-term investments made for the network of corners and franchise stores.

The item "Other assets" includes 8,234 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 1.4 million euros.

8. Tangible fixed assets

At December 31st, 2016 the net residual value of Group's tangible fixed assets was a 216.9 million euros (FY 2015: 226.5 million euros).

euro 000's	Land and buildings	Plant and machin.	Equip.	Leasehold improv.	Others	Total
Balance as of 01.01.15	**95,111**	**8,550**	**16,082**	**43,361**	**54,722**	**217,826**
Translation differences	5,253	4	108	2,298	2,332	9,995
Increases	3,982	5,622	6,126	14,422	11,459	41,611
Decreases	28	(30)	(153)	(412)	(46)	(613)
Impairment losses (Note 9)	(139)	(4)	(696)	(910)	(1,248)	(2,997)
Other changes	8,610	888			(9,498)	0
Amortization for the period	(1,917)	(1,824)	(7,209)	(13,186)	(15,184)	(39,320)
Balance as of 12.31.15	**110,928**	**13,206**	**14,258**	**45,573**	**42,538**	**226,504**
Translation differences	3,346	3	1	(44)	(245)	3,062
Increases	2,359	1,466	4,954	11,059	8,716	28,554
Decreases		(19)	(248)	(54)	(154)	(475)
Impairment losses (Note 9)			(134)	(3,835)	(440)	(4,409)
Other changes			3	124	478	605
Amortization for the period	(2,167)	(2,204)	(6,655)	(12,370)	(13,556)	(36,953)
Balance as of 12.31.16	**114,467**	**12,452**	**12,180**	**40,454**	**37,336**	**216,888**

Land and Buildings mainly include the real estate assets consisting of the Parent Company's operating headquarters and the building located in Omotesando in Tokyo, the location of the subsidiary TOD'S Japan's administrative offices and of the most important TOD'S flagship store in Japan. The increase in the value of Land and Buildings and Plant and machinery is mainly due to investments done on assets related to Group's headquarter properties.

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 the new TOD'S store located in Miami and renovating the existing stores, among which it's highlighted, for relevance, the investments at the flagship store in London at bond street which was even subject to an important expansion of sales surface. Depreciation from continuing use of the fixed assets during the year amount to 37 million euros, while write-downs for impairment recognized through profit and loss amount to 4.4 million euros (Note 9).

9. Impairment losses

The recoverability of the residual value of intangible assets with an indefinite useful life 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. The TOD'S Group subsequently identified only one CGU, at a Group level, and it has been tested the net invested capital of the Group. 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 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 2017 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 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, prudently equal to 30%. 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 prudential long term growth rate in line with the macro-economics estimates performed by the International Monetary Fund .

iii. To determine the "value in use," a WACC, net of taxes, of 8.30% was used (the WACC rate used at December 31st, 2015 was 8.50%), determined by referring to the discounting rates used by a series of international analysts in financial reports on the Group, including a specific beta attributable to it.

An expected overall cash flow figure far 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 12.2 million euros are made up of goodwill from business combination).
The sensitivity analysis performed on the impairment test in accordance with 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), did not reveal an appreciable impact on determination of the "value in use" and cover. Given the significant value assumed by the cover, it would be necessary to make unrealistic base assumptions to render the "value in use" equal to the book value of Group assets (the breakeven hypothesis).
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. Specifically, note that, with effect from the date of these financial statements, the test is also required to be conducted with reference to the ROGER VIVIER brand, which was acquired at the beginning of the year. The recoverable value is calculated by using, in principle, a market valuation approach, consisting of the application of the royalties method and using the same assumptions as those stated above in terms of growth rates, tax rate, WACC and terminal value. As regards the ROGER VIVIER brand, the royalties method has been based, for obvious reasons of uniformity and consistency with the estimation of the value to be attributed to the abovementioned balance sheet item upon acquisition, on 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. From the analysis carried out no impairment losses arose, as the net book value of brands fell within the range of values set for the recoverable value.

Finally, the Group conducted an analysis to assess the recoverability of the tangible and intangible fixed assets attributable to the individual directly operated stores (DOS). Impairment indicators emerged from this analysis for some DOS whose assets were therefore written down by a total of 4.4 million euros, as the recovery of their value by means of future cash flows is not reasonably foreseeable as matters stand.

10. 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	(86)
Balance as of 01.01.16	**29**
Increases	
Decreases	
Depreciation for the period	(4)
Balance as of 12.31.16	**25**

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.

11. 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	12.31.16	12.31.15	Change
Deferred tax assets	58,885	51,220	7,665
Deferred tax liabilities	(32,739)	(27,922)	(4,817)
Net Balance	**26,146**	**23,298**	**2,848**

When determining future tax impact (IAS 12), 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, highlighting items that mainly contributed to its determination:

euro 000's	12.31.16		12.31.15	
	Asset	Liabilities	Asset	Liabilities
Property plant and Equipment	2,868	5,063	1,453	5,282
Intangible fixed assets	2,224	37,807	2,537	28,475
Inventory	30,688	(9,536)	30,234	(4,683)
Derivative financial instruments	44	(792)	116	(1,551)
Cost deductible over several years	634	17	1,004	(421)
Reserve for employees	1,254	(55)	1,190	259
Provision for risks	19	(366)	127	(328)
Other	131	600	52	889
Fiscal losses to carry forward	21,022		14,507	
Total	**58,885**	**32,739**	**51,220**	**27,922**

Deferred tax assets, recognised by certain subsidiaries as losses that can be carried forward pursuant to local tax laws, and not yet used by the Group at December 31st, 2016, totalled 21 million euros (FY 2015: 14.5 million euros). New deferred tax assets for 6.6 million euros were recognised in the 2016 financial statements for losses suffered in the current year that can be carried forward, while, during the year, deferred tax assets for 0.4 million euros have been used on previous year fiscal losses. Moreover, during the year, 2.3 million euros of deferred tax assets related to previous year fiscal losses have been written off as a consequence of the fact that the companies who suffered such losses consider no more probable the recoverability of such losses within the related expiring date. Not recognised deferred tax assets on previous years fiscal losses amount to 9.6 million euros, as a consequence of the fact that it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

12. 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.

13. Inventories

They totalled 291,892 thousand euros at December 31st, 2016, and include:

euro 000's	12.31.16	12.31.15	Change
Raw materials	54,157	53,892	265
Semi-finished products	9,384	11,148	(1,764)
Finished products	281,227	304,736	(23,509)
Write-down	(52,877)	(22,333)	(30,545)
Total	**291,892**	**347,445**	**(55,553)**

The allowance for inventory write-downs reasonably reflects the technical and stylistic obsolescence of the Group's inventories at December 31st, 2016. In the course of the year the provision existing at the beginning of the year was used for 2.6 million euros (1.2 million euros in 2014), while the provision set aside in the year amounted to 32.2 million euros (5.5 million euros in 2015) and it includes an extraordinary write-off of the stock for 24.2 million due to the redefinition of the distribution strategies (Note 30).

14. Trade receivables and other current assets

14.1 Trade receivables: they represent Group's exposure in consequence of its wholesale distribution activity.

euro 000's	12.31.16	12.31.15	Change
Trade receivables	123,915	116,633	7,281
Allowances for doubtful accounts	(5,773)	(5,112)	(660)
Net trade receivables	**118,142**	**111,521**	**6,621**

The allowances for doubtful accounts represent the reasonable estimate of impairment due to the specific and generic risk of not being able to collect the trade receivables recognised on the financial statements. The amount accrued for FY 2016 totalled 1.047 thousand euros. The following schedule shows the changes during the year in the allowances for doubtful accounts:

euro 000's	12.31.16	12.31.15
Opening balance	**5,112**	**5,435**
Increases	1,047	800
Used during year	(386)	(1,123)
Closing balance	**5,773**	**5,112**

14.2 Tax receivables: these total 28,646 thousand euros (FY 2015: 17,637 thousand euros) and are mainly comprised of receivables for income taxes and value added tax claimed by the Group from the tax authorities of the countries where it operates.

14.3 Other current assets:

euro 000's	12.31.16	12.31.15	Change
Deferred costs	8,802	7,829	973
Others	27,833	26,468	1,365
Total other current assets	**36,635**	**34,297**	**2,338**

The item "Others" mainly relates to receivables versus manufacturers for the raw materials sold in connection with manufacturing activities, receivables for credit cards and other receivables to be collected next year.

15. Derivative financial instruments

The TOD'S Group, characterised by its major presence on international markets, is exposed to exchange rate risk principally for revenues denominated in currencies other than the euro (see Note 6). In order to realise the objectives envisaged in the Risk Management policy adopted by the Group, derivative contracts were made for every single foreign currency to hedge a specific percentage of revenue (and cost) volumes expected in the individual currencies other than the functional currency.

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. See 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 each reporting date, the hedge accounting method is applied. This requires recognition of the derivatives in equity at their fair value and recognition of the changes in fair value, which varies according to the type of hedge at the valuation date.

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	30,700	29,124		
HK dollar	516,000	63,118		
Japanese yen	1,593,000	12,909	4,180,000	33,874
British pound	19,900	23,243		
Swiss franc	9,150	8,520		
Chinese renmimbi	388,300	53,045		
Singapore dollar	3,130	2,969		
Euro	2,295	2,295	9,385	9,385
Canadian dollar	6,300	4,440		
Brazilian real	870	254		
Australian dollar	3,050	2,090		
Total		**202,007**		**43,259**

All derivative contracts will expire during the year 2017. At December 31st, 2016 the derivatives used to hedge exchange risks reported an overall negative net fair value of 3,283 thousand euros, i.e. the balance of assets of 2,857 thousand euros (compared to 1,688 thousand euros in 2015) and liabilities of 6,140 thousand euros (compared to 3,125 thousand euros in 2015). At December 31st, 2016 the (net) fair value of the derivatives on currencies used to hedge forecast transactions (i.e. cash flow hedge) was equal to liabilities of 1,966 thousand euros. As regards the latter hedging contracts, which were closed in the period from January to December 2016, the transfer of the effect of the hedging transactions to the income statement was equal to 373 thousand euros, of which 427 thousand euros were entered as an increase in revenues and 54 thousand euros as an increase in costs.

At December 31st, 2016 two derivative contracts (interest rate swaps - IRSs) were also in place, which were entered into on July 23rd, 2014 to hedge the risk associated with fluctuations in the interest rates on the already commented variable rate loan transaction with Mediobanca and Crédit Agricole (Note 21). These derivative contracts, having an initial notional amount for 400 million euro equal to the value of the amounts of the loan made available to TOD'S S.p.A., protect the Group from the risk of a generalised rise in interest rates, swapping the variable rate on the loan (3-month EURIBOR + 90 basis points) for a contractually fixed rate (a quarterly rate of 0.748%). When the loan have been definitely drawn on January 25th, 2016 for 300 million euros (Notes 6 and 21), the notional amounts of derivatives have been realigned to the notional amount actually drawn (so-called unwinding). An additional unwinding have been done for the partial early refund of 95 million euros occurred on November 2016 (Notes 6 and 21).

At December 31st, 2016 the fair value of such derivatives, negative for 4,593 thousand euros, has been presented for 2,687 thousand euros in the non-current liabilities in accordance with the period on which the effects will be generated. The amount recognised in the financial expenses for the current year was 5,767 thousand euros, of which 3.120 thousand euros related to the above mentioned unwinding transactions.

16. Cash and cash equivalents

Cash and cash equivalents are related to cash and bank deposits for 227,706 million euros (217,801 million euros at December 31st, 2015). For further information see the statement of cash flow.

17. Assets held for sale

The Group did not have any held for sale assets at December 31st, 2016.

18. Equity

18.1 Share capital. At December 31st, 2016, the Parent company share capital totalled 66,187,078 euros (61,218,802 euros at December 31st, 2015), and was divided into 33,093,539 shares (30,609,401 shares at December 31st, 2015) having a par value of 2 euros each, fully subscribed and paid in. All shares have equal voting rights at the general meeting and participation in profits. Share capital increased as a consequence of the capital increase resolved by TOD'S S.p.A. extraordinary shareholder's meeting held on January 13th, 2016 reserved to Gousson – Consultadoria e Marketing S.r.l. which subscribed and paid it on January 27th, 2016.
At December 31st, 2016 Mr. Diego Della Valle, president of the Board of Directors, hold, directly and indirectly, 60.663% of TOD'S S.p.A. share capital. At December 31st, 2016 the Group did not own treasury shares in the parent TOD'S S.p.A., and it did not execute any transactions on those shares during the year.

18.2 Capital reserves. Capital reserves are exclusively related to share premium reserve, amounting to 416,588 thousand of euros (214,055 thousand of euros as of December 31st, 2015). The increase for the year is related to the above mentioned capital increase transaction, occurred with 81.53 euros of additional price per share.

18.3 Hedging and translation reserves. The following schedule illustrates the changes occurred in 2016:

euro 000's	Translation Reserve	Hedging Reserve	Total
Balance as of 01.01.15	**419**	**(9,166)**	**(8,747)**
Increase in fair value of hedging derivatives		(7,474)	(7,474)
Exchange differences	15,519	51	15,570
Transfer to P&L Account of hedging derivatives		13,281	13,281
Others	38	(38)	
Balance as of 01.01.16	**15,976**	**(3,346)**	**12,630**
Increase in fair value of hedging derivatives		805	805
Exchange differences	8,465	38	8,503
Transfer to P&L Account of hedging derivatives		3,567	3,567
Others			
Balance as of 12.31.16	**24,441**	**1,064**	**25,505**

The hedging reserve includes both the measurement of derivatives related to the hedging of highly probable forecast transactions in foreign currencies, which is positive for 4,240 thousand euros, net of tax effects, and the measurement of IRS in connection with hedging of interest rate risks, which is negative for 3,176 thousand euros, net of tax effects (see Note 15). Such reserve includes even some intercompany transactions, positive for 60 thousand euros net of tax effect, for which derivatives have been expired at December 31st, 2016, that will be transferred to the income statement when sales versus third customers or when forecast transactions will be realized.

18.4 Retained earnings. 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 Equity.

euro 000's	Retained earnings	Profit (loss) of the period	Total
Balance as of 01.01.15	**445,889**	**97,114**	**543,003**
Allocation of 2014 result	35,895	(35,895)	
Dividends		(61,219)	(61,219)
Profit for the period		92,735	92,735
Other changes	(391)		(391)
Balance as of 01.01.16	**481,392**	**92,735**	**574,128**
Allocation of 2015 result	26,548	(26,548)	
Dividends		(66,187)	(66,187)
Profit for the period		86,292	86,292
Other changes	(15,300)		(15,300)
Balance as of 12.31.16	**492,640**	**86,292**	**578,932**

During the year, part of the net income for 2015 was distributed in the form of a dividend of 2 euros per share resolved by the Shareholders' Meeting of the parent company TOD'S S.p.A. on April 20th, 2016. Other changes for the year 2016 are mainly related to both the use of the specific reserve for promoting territorial solidarity projects, for 0.9 million euros, to the recognition of the cumulated actuarial gains/(losses) of the period (IAS19), for 0.3 million euros, to exchange losses from net investment in foreign operations for 4.2 million euros and to the difference between the purchase price of the company Roger Vivier Sas, equal to 20 million euros, and the net asset acquired, equal to 10.2 million euros, which has been represented as a reduction of consolidated equity for 9.8 million euros (Note 4).

18.5 Dividends. In execution of a resolution by the Shareholders' Meeting of April 20th, 2016, the parent company TOD'S S.p.A. paid the shareholders dividends in May for the net income realised in 2015. The aggregate amount of the dividends paid is 66,187,078 euros, at the rate of 2 euros for each of the 33,093,539 shares representing the share capital at the coupon detachment date (May 23rd, 2016). Moreover, other Group companies distributed dividends of 450 thousand euros to their own non-controlling interests.

The Board of Directors of the parent company TOD'S S.p.A. has proposed that the net profit for 2016 be distributed with payment of a dividend of 1.70 euros per share. The dividend is subject to approval by the annual Shareholders' Meeting, and was not included among the liabilities reported on this balance sheet. The proposed dividend, totalling 56,259,016.30 euros on the basis of the currently outstanding shares, is payable to all shareholders entered on the register of shareholders at the coupon detachment date.

19. Contingent and potential liabilities and assets

19.1 Provisions for risks. They include 6,059 thousand euros (5,485 thousand euros in 2015) as the prudent estimate of liabilities that the Group might incur on pending legal and tax lawsuits. Increases for the year totalled 1,890 thousand euros (2,494 thousand euros in 2015), while the provision has been used for 1,361 thousand euros (231 thousand euros) and it has been reversed for 4 thousand euros (251 thousand euros).

19.2 Contingent liabilities and other commitments.

i. Guarantees granted to third parties. At December 31st, 2016 the Group had provided guarantees amounting to 5,424 thousand euros (compared to 3,692 thousand euros in 2015) against the contract commitments undertaken by some Group companies. The guarantees mainly consist of a surety of 3,629 thousand euros (2,000 thousand euros in 2015) issued against the commitment to finance the Colosseum restoration works, the financial liability of which has been recognised in full in the accounts (Notes 7 and 22).

ii. Guarantees received from third parties. Guarantees received by the TOD'S Group from banks as security for contractual commitments totalled 15,494 thousand euros (15,202 thousand euros in 2015).

iii. Mortgages. Group real estate has been encumbered by the following mortgages:

Tokyo building – As collateral for two bonds issued by the subsidiary Holpaf B.V. (Note 21), a first mortgage in favour of Intesa San Paolo for JPY 1,000 million (8.1 million euros), and a first mortgage in favour of Société Européenne de Banque for JPY 5,652.8 million (45.8 million euros), both as collateral for the principal and all expenses resulting from the loan agreement.

iv. Other guarantees. As additional security for repayment of the bonds indicated at sub-indent iii. hereinabove, the parent company TOD'S S.p.A. (when taking over the contractual obligations assumed by the previous guarantor, Holpaf B.V., vis-à-vis the subscribing banks), issued the following additional guarantees:

a) *Property Purchase Option*: a put option granted to Intesa San Paolo Bank Ireland PLC on the Omotesando property, which may be exercised only if Holpaf B.V. defaults during the term of the bonds and the creditor demands payment of the mortgage. In this scenario, TOD'S S.p.A. must purchase the property at a specific price that varies over the term of the option (decreasing price, equal to the amount of the residual debt of the two bonds not repaid by Holpaf B.V. at the time of default).
b) *Earthquake Indemnity Letter*; TOD'S S.p.A. has undertaken to hold harmless the rights to repayment of the bonds held by Intesa San Paolo Bank Ireland PLC and Société Européenne de Banque even in the event of damage or destruction of the property in an earthquake;
c) *All Risks Indemnity Letter*; TOD'S S.p.A. has undertaken to hold harmless the rights to repayment of the bonds held by Intesa San Paolo and Société Européenne de Banque even in the event of damage or destruction of the property due to any event;
d) Pledge on the fire insurance policy; in the event of loss due to building fire, any reimbursement by the insurance company constitutes a pledge in guarantee of the bonds whose value has not yet been repaid to Intesa Sanpaolo Bank Ireland PLC and Société Européenne de Banque.
At December 31st 2016, the residual face value of the principal for the two bonds amounted to JPY 2,070 million euros (16.8 million euros).

19.3 Lease agreements. The leases entered into by the Group are for rental of spaces used as offices, production plants, and DOS. At the reporting date, the minimum lease payments still owed by the Group under current agreements were as follows:

euro mn	2016	2015
2016		97.8
2017	99.5	86.2
2018	84.3	66.9
2019	63.0	48.1
2020	53.6	40.6
2021	43.2	
Over 5 years	116.6	115.6
Total	**460.2**	**455.2**

Operating lease instalments, included in the Costs of use of third party assets, totalled 112.9 million euros in the year 2016, including contingent rent.

20. Employee Benefits

20.1 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, 2016, the liability accrued *vis-à-vis* employees was 3,467 thousand euros (December 31st, 2015: 3,085 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 1,031 thousand euros.

20.2 Defined benefit plans. Following the statutory amendments introduced beginning January 1st, 2007, employee severance indemnities, a deferred payment plan in favour 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[(1)]. 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 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: 1.31%

  It is related to the average yield curve from IBOXX Eurozone Corporates AA of December 2016.
- Inflation rate: 1.50%;
- TFR incremental rate: 2.625%.

The table below shows the variation of the liability occurred in 2016:

[1] 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.

euro 000's	Year 2016	Year 2015
Opening balance	**9,230**	**10,012**
Service costs	119	107
Interest costs	190	152
Benefits paid	(516)	(419)
Actuarial (gains)/losses	307	(623)
Other		
Closing balance	**9,329**	**9,230**

Employee benefits include even other long term employee benefits.

21. Financial liabilities

The Group's financial liabilities at December 31st, 2016 are broken down as follows:

euro 000's	12.31.16	12.31.15	Change
Current account overdraft	15,714	13,737	(1,977)
Financing and other financial liabilities- short term	50,234	10,084	(40,150)
Total financial liabilities short-term	**65,948**	**23,822**	**(42,126)**
Financing and other financial liabilities - long term	197,139	59,743	(137,396)
Total financial liabilities	**263,087**	**83,565**	**(179,522)**
Total Financing - and other financial liabilities (short/long term)	247,373	69,827	(177,546)

Financing and other financial liabilities. At December 31st, 2016 financing and other financial liabilities were represented by the following medium-long term position:

Currency 000's Type	Counterpart	Currency	Maturity	Res. Debt in currency	Res. Debt in Euro
Medium and long term bank pool loan	Mediobanca - Crédit Agricole	Eur	2021	189,298	189,298
Medium and long term loan	Banca Nazionale del lavoro S.p.A.	Eur	2019	15,628	15,628
Medium and long term loan	Intesa SanPaolo S.p.A.	Eur	2019	24,975	24,975
Notes A-1	Intesa SanPaolo S.p.A.	Jpy	2017	144,923	1,174
Notes A-2	Société Européenne de Banque	Jpy	2021	1,924,798	15,598
Total financing					**246,673**
Other financial liabilities		Inr	n.a.	50,122	700
Total financing and other financial liabilities					**247,373**

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, for a maximum amount of 400 million euros and finally drawn for 300 million euros on January 25th, 2016 in order to complete the acquisition of ROGER VIVIER brand, already commented above. On November 2016 such loan has been partially early refunded for 95 million euros. Such loan has a variable interest rate equal to EURIBOR 3M + 0,90 basis points which was hedged with two derivative contracts (interest rate swaps - IRSs) for the same notional amount and duration (Note 15). The duration of such loan is 7 years from the signing date (July 2014) and it will be refunded quarterly starting from October 2016.

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

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

Bank	Financial covenants	Limit at 31st December
Mediobanca/Crédit Agricole	Net financial liabilities/EBITDA	≤ 3,5
Banca Nazionale del lavoro S.p.A.	Net financial liabilities/EBITDA	≤ 3,5
Intesa SanPaolo S.p.A.	Net financial liabilities/EBITDA	≤ 3

The parameters indicated above are constantly monitored by the Group, and all financial covenants are fulfilled at December 31st, 2016

Moreover, It's highlighted that, on October 25th, 2016, TOD'S S.p.A. uses its right for the anticipated redemption of the two lease agreements paying the remaining liabilities for 3.2 million euros and, as a consequence, becoming the owner of the two industrial building (a factory and a building for offices) located in Montegranaro (FM), next to the Group headquarter

The financial liabilities indicated as Notes A-1 and A-2 represent two amortised, non-convertible fixed-rate (respectively 2.94% and 3.239%) bonds denominated in JPY, issued in 2006 by the subsidiary Holpaf B.V. to refinance the debt assumed for purchase of the land and construction of the building in Omotesando. The two bonds were fully subscribed by banks, and specifically by Intesa San Paolo (Notes A-1) and Société Européenne de Banque (Notes A-2).

The debt referred to at Notes A-1 and A-2 includes the residual debt for principal (Note A-1: 1,159 thousand euros, and Note A-2: 15,155 thousand euros) and the interest accrued for the year, 13 thousand euros and 187 thousand euros, respectively, and the effect of fair value measurement upon initial recognition, for 3 thousand euros and 256 thousand euros, respectively, which are measured at amortized cost.

For an analysis of the guarantees securing the two bonds, please see the section Provisions, contingent liabilities and assets (Note 19).

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)	Notesa A-1	Notesa A-2	Total
2017	6,250		40,000	1,159	2,503	49,912
2018	6,250		40,000		2,585	48,835
2019	3,125	25,000	40,000		2,670	70,795
2020			40,000		2,757	42,757
2021			30,000		4,640	34,640
Over 5 years						
Total	**15,625**	**25,000**	**190,000**	**1,159**	**15,155**	**246,939**
Accruals and amortized cost	3	(25)	(702)	16	443	(265)
Total	**15,628**	**24,975**	**189,298**	**1,174**	**15,598**	**246,673**

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		12.31.16
Currency 000's	Local Currency	Euro
Jpy	1,939,040	15,714
Total bank overdrafts		**15,714**
Jpy	2,069,721	16,772
Eur	229,901	229,901
Inr	50,122	700
Total financing and financial liabilities		**247,373**
Total financial liabilities		**263,087**

Financial liabilities by currency		12.31.15
Currency 000's	Local Currency	Euro
Jpy	1,751,414	13,362
Inr	25,431	353
Eur	21	21
Total bank overdrafts		**13,737**
Jpy	2,512,887	19,173
Eur	50,045	50,045
Inr	43,967	609
Total financing and financial liabilities		**69,827**
Total financial liabilities		**83,565**

For interest rate sensitivity analysis (IFRS 7), see Note 6.

Finally, to be thorough, it's highlighted that TOD'S S.p.A. entered in 3 new loan agreements during 2016 of which details will be provided as follows:

- 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, for a long term revolving credit facility (commitment period 3 years) for a maximum amount of 100 million euros. Interest rate is variable and equal to EURIBOR (1m, 3m or 6m depending on the period chosen once the facility will be used) + a variable margin, depending on the net financial indebtedness/EBITDA ratio, which goes from 60 basis points to a maximum of 80 basis points;

- ii) Unicredit S.p.A., signed on November 9th 2016, for a long term revolving credit facility (commitment period 3 years) for a maximum amount of 100 million euros. Interest rate is variable and equal to EURIBOR (1m, 3m or 6m depending on the period chosen once the facility will be used) + 30 basis points;
- iii) B.N.L. S.p.A., signed on November 28th 2016, for a long term revolving credit facility (commitment period 3 years) for a maximum amount of 100 million euros. Interest rate is variable and equal to EURIBOR (1m, 3m or 6m depending on the period chosen once the facility will be used) + 60 basis points.

At December 31st, 2016 no amount has been used in connection with the above mentioned credit facilities.

22. Other non-current liabilities

The balance for this item, 15,910 thousand euros, refers mainly to the liability recognised in relation to the agreement made for financing of restoration work on the Coliseum (Note 7) for 9,973 million euros (11,605 million euros at December 31st, 2015). 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.

23. Trade payables and other current liabilities

euro 000's	12.31. 16	12.31. 15	Change
Trade payables	130,804	142,881	(12,076)
Tax payables	8,241	14,082	(5,841)
Other liabilities			
Payables due to employees	11,093	13,266	(2,173)
Social security institutions	6,999	6,872	127
Other	17,766	18,145	(379)
Total other liabilities	**35,859**	**38,283**	**(2,425)**

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, deferred revenues and other current liabilities.

24. Revenues

Revenues of the Group during the year are 1,004 million euros (1,037 million euros in 2015), decreased for 3.2% in respect to the previous year.

The item "Other income" amounts to 36 million euros (11.4 million euros in 2015) and it mainly includes the payment by Gousson Consultadoria e Marketing S.r.l. to TOD'S S.p.A. on January 27th, 2016 of an indemnity of 25 million euros in connection with ROGER VIVIER brand acquisition, further to active royalties and insurance reimbursements.

25. Personnel costs

The personnel costs incurred by the Group in FY 2016 as compared with those for FY 2015 are illustrated as follows:

euro 000's				% on sales	
	Year 2016	Year 2015	Change	2016	2015
Wages and salaries	143,787	141,115	2,672	14.3	13.6
Social security contributions	36,566	36,598	(32)	3.6	3.5
Employee sev. Indem. (service cost)	5,855	5,589	266	0.6	0.5
Total	**186,208**	**183,302**	**2,906**	**18.5**	**17.7**

The following table illustrates the breakdown of Group's employees by category:

	12.31.16	12.31.15	Average 16	Average 15
Executives	49	48	49	50
White-collar Employees	3,200	3,230	3,222	3,141
Blue-collar Employees	1,236	1,272	1,243	1,273
Total	**4,485**	**4,550**	**4,514**	**4,464**

26. Financial income and expenses

The breakdown of financial income and expenses in fiscal 2016 is as follows:

euro 000's	Year 16	Year 15	Change
Income			
Interest income on current account	958	453	505
Foreign exchange gains	18,929	28,731	(9,802)
Other	298	83	214
Total income	**20,184**	**29,267**	**(9,083)**
Expenses			
Interest on medium-long term financing	(2,579)	(732)	(1,846)
Interest on short term borrowings	(145)	(170)	26
Foreign exchange losses	(24,282)	(35,066)	10,783
Other	(6,573)	(4,596)	(1,978)
Total expenses	**(33,579)**	**(40,564)**	**6,985**
Total net income and expenses	**(13,395)**	**(11,297)**	**(2,098)**

Other financial expenses include, for 3,120 thousand euros, the unwinding impact occurred in the current year (Notes 15 and 21) as a consequence of which the negative fair value of the outstanding interest rate swaps designed for hedge accounting in connection with the long term loans signed by TOD'S S.p.A. has been reversed in profit and loss.

27. Income taxes

Tax expenses allocable to FY 2016, including deferred taxes, totalled 29.2 million euros, and are broken down into current and deferred taxes as follows:

euro 000's	Year 16	Year 15
Current taxes	30,618	50,339
Deferred taxes	(1,420)	(5,157)
Total	**29,198**	**45,182**
Tax rate	(25.4%)	(32.9%)

The parent company's theoretical tax rate for FY 2016 (impact of theoretical tax on pre-tax profit) was 35.9%, determined by applying the IRES and IRAP tax rates applicable to 2016 taxable income as reported on the financial statements, while the theoretical tax rate for FY 2016 of other Group companies operating outside Italy varies from country to country according to local law.

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	**41.3**	**35.9**
Previous year taxes	0.6	0.5
Permanent differences	(1.9)	(1.6)
Patent box tax effect	(7.4)	(6.4)
Effect connected with the different rates of the foreign subsidiaries	(3.5)	(3.0)
Effective income taxes	**29.2**	**25.4**

The tax effect of the so-called "Patent box" is related to the agreement signed by the Company on December 23rd, 2016 with the competent office of the Italian Tax Authorities, 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. The agreement covers the fiscal years

2015-2019 and may be then renewed for additional five years. Thanks to the agreement, income taxes of the Parent company benefited of an economic contribution related to the years 2015 and 2016 for and amount equal to about 7.4 million euros.

28. Earnings per share

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

i. Reference Profit

euro 000's For continuing and discontinued operations	Year 16	Year 15
Profit used to determine basic earning per share	86,292	92,735
Dilution effects		
Profit used to determine diluted earning per share	**86,292**	**92,735**

euro 000's For continuing operations	Year 16	Year 15
Profit for the year	86,292	92,735
Income (Loss) from discontinued operations		
Profit used to determine basic earning per share	**86,292**	**92,735**
Dilution effects		
Profit used to determine diluted earning per share	**86,292**	**92,735**

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

ii. Reference number of shares

	Year 16	Year 15
Weighted average number of shares to determine basic earning per share	32,916,587	30,609,401
Share Options		
Weighted average number of shares to determine diluted earning per share	32,916,587	30,609,401

iii. Base earnings per share. The weighted average number of shares used for the earning per share computation at December 31st, 2016 consider the number of shares increase occurred on January 27th, 2016 as a consequence of the capital increase resolved by TOD'S S.p.A. shareholder's meeting held on January 13th, 2016 (Note 18).

Profit of the Group attributable to the owners of ordinary shares of the Parent company TOD'S S.p.A. amounts to 86,292 thousand euros (year 2015: 92,735 thousand euros).

iv. Diluted earnings per share. Calculation of the diluted earnings per share for the period January-December 2016 coincides with calculation of earnings per share, due to the fact that there are no items which produce dilution effects.

29. 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

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

- The acquisition by the TOD'S Group (through its subsidiary Partecipazioni Internazionali S.r.l., subsequently "Roger Vivier S.p.A.") of the ROGER VIVIER brand, which was previously held by the related party Gousson Consultadoria e Marketing S.r.l., a company owned by the Chairman of the Board of Directors, Diego Della Valle, at a total price of 415 million euros (plus VAT);
- The acquisition by the TOD'S Group (through its subsidiary Roger Vivier France Sas) from the related party Gousson Consultadoria e Marketing S.r.l., at a price of 20 million euros, of the entire share capital of Roger Vivier Paris Sas, the company that operates the ROGER VIVIER store located in Paris, at Rue du Faubourg Saint Honoré no. 29, the historical flagship store of the brand;

- the reinvestment in TOD'S by Gousson Consultadoria e Marketing S.r.l., of 207.5 million euros (equal to about 50% of the brand price), through the subscription to the capital increase, which was resolved by the Extraordinary Shareholders' Meeting of TOD'S S.p.A. on January 13th, 2016 and which was reserved for Gousson Consultadoria e Marketing S.r.l.;
- the payment by Gousson Consultadoria e Marketing S.r.l. to TOD'S S.p.A. of an indemnity of 25 million euros, for the restrictions on the methods of distribution set out in the overall licence agreement, which are aimed at maintaining the prestige of the ROGER VIVIER brand.

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

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

Through the abovementioned transaction, the TOD'S Group obtained the permanent title to the ROGER VIVIER brand, thus eliminating the uncertainties arising from any licence agreement. In financial terms, the capital increase reduced the acquisition's impact on the Group's financial position.

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

Related party transactions at December 31st, 2016

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 2016. 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 products	Rendering of services	Royalties	Operating lease	Other operations
Year 2016					
Parent Company (*)	11,051	4		5	
Directors					
Exec. with strat. respons.					
Total	**11,051**	**4**	**-**	**5**	**-**
Eserc. 2015					
Parent Company (*)	16,140	19			1
Directors					
Exec. with strat. respons.					
Total	**16,140**	**19**	**-**	**-**	**1**

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

ii. Commercial transactions with related parties – Costs

euro 000's	Costs of products	Rendering of services	Royalties	Operating lease	Other operations
Year 2016					
Parent Company (*)	272	447		4,497	194
Directors					
Exec. with strat. respons.					
Total	**272**	**447**	**-**	**4,497**	**194**
Eserc. 2015					
Parent Company (*)	1,304	160	11,839	4,506	21
Directors					
Exec. with strat. respons.					
Total	**1,304**	**160**	**11,839**	**4,506**	**21**

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

iii. Commercial transactions with related parties – Receivables and payables

Receivables and payables	12.31.16		12.31.15	
euro 000's	Receivables	Payables	Receivables	Payables
Parent Company (*)	2,915	252	5,113	5,922
Directors				
Exec. with strat. respons.				
Total	**2,915**	**252**	**5,113**	**5,922**

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

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

Transactions between Group companies included in the scope of consolidation have been eliminated from the 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 2016 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 (*)	1,832.1	9.0					
Andrea Della Valle (**)	1,231.8	8.7					
Luigi Abete	30.9	8.1					
Maurizio Boscarato	32.1	9.9				220.0	(2)
Luigi Cambri	32.1	9.9				9.0	(4)
Luca C. di Montezemolo (******)	1.8						
Sveva Dalmasso	32.1	8.4					
Emanuele Della Valle	30.6						
Romina Guglielmetti	32.1	17.7					
Emilio Macellari (****)	247.1	9.0				480.0	(2)
Vincenzo Manes	31.2	16.2					
Cinzia Oglio	32.1		2.9	35.4	147.6		
Pierfrancesco Saviotti	31.2	7.8					
Michele Scannavini	32.1					97.5	(2)
Stefano Sincini (***)	448.1	9.0	3.6	2.0	516.2	111.0	(1)
Total	**4,077.4**	**113.7**	**6.5**	**37.4**	**663.8**	**917.5**	
Statutory Auditors							
Giulia Pusterla (*****)	90.0						
Enrico Colombo	60.0					47.9	(3) (4)
Fabrizio Redaelli	60.0						
Total	**210.0**					**47.9**	
Executives with strategic responsibilities		9.0	6.7	63.0	909.7	126.0	(1)

Legend

(*) Chairman of Board of Directors and CEO
(**) Vice Chairman of Board of Directors and CEO
(***) Chief Executive Officer and Managing Dir.
(****) Member of Executive Committee
(*****) Chairman of the Statutory Board
(******) Luca Cordero di Montezemolo resigned on January 22nd, 2016

(1) Director of subsidiary
(2) Consultant TOD'S S.p.A.
(3) Statutory Auditor of subsidiary
(4) Member of Compliance Program Supervisory Board

The table reported above includes the amount of value that accrued in the year for the option relating to the Phantom Stock Option Plan, which was approved by the Shareholders' Meeting of TOD'S S.p.A. on April 20th, 2016 and which was reserved for the CEO Stefano Sincini, as medium-to long-term incentive fees, concerning a payment to be settled in cash, following the approval of the 2018 financial statements, to be calculated on the price of TOD'S shares with a strike price set at 121.4 euros.

No severance indemnity is provided for Directors and Executives with Strategic Responsibilities.

30. Events and significant non-recurring transactions

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

- the economic indemnity for 25 million euros paid by Gousson Consultadoria e Marketing S.r.l. to TOD'S S.p.A. on January 27th, 2016 within the transaction related to the acquisition of ROGER VIVIER brand (Note 24);
- an extraordinary complete write-off of part of the non-current season stock for 24.2 million due to the redefinition of the distribution strategies mainly as a consequence of the ROGER VIVIER brand acquisition.

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

31. 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.

32. Significant events occurred after the end of the year

No significant events occurred after the end of the year.

TOD'S S.p.A. - IAS/IFRS Annual Report as of December 31st, 2016

TOD'S s.p.a.

Report **on operations**

Introduction

The Report by the Board of Directors on Operations is based on the Separate Financial Statements of TOD'S S.p.A. at December 31st, 2016, prepared in accordance with IAS/IFRS (International Accounting Standards – IAS, and International Financial Reporting Standards – IFRSs) issued by the IASB and approved by the European Union at the same date, on the assumption of the company's status as a going concern. 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 Report on Operations must be read together with the Financial Statements and Notes to the Financial Statements, which are integral parts of the 2016 separate annual report. These documents include the additional information required by CONSOB, with the measures issued in implementation of Article 9 of Legislative Decree 38/2005 (resolutions 15519 and 15520 of July 27th, 2006 and DEM/6064293 memorandum of July 28th, 2006), as well as all subsequent notices containing provisions regarding financial disclosures.

The Separate Financial Statements have been prepared on a going concern basis. The company believes that there are no asset, liability, financial or organizational indicators of material uncertainties, as defined in paragraph 25 of IAS 1 on business continuity.

Separate Financial Statements is approved by the Board of Directors of TOD'S S.p.A. in March 14th, 2017.

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 2016 financial year, the typical economic reference indicators (Revenues, EBITDA, and EBIT) have been recalculated by applying the average exchange rates for 2015, 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.

Operating performance

The macroeconomic scenario in which the Company operates continues to be particularly complex, marked by geopolitical tensions and situations of economic and social uncertainty that affected the main international markets, making them unstable and volatile, during the year just ended as well. This context, together with the currency trends in the various relevant markets, also affected the tourism flows of international shoppers in the global luxury market, above all those of Chinese customers that suddenly change their destination and propensity to consume.

Specifically, the overview of international markets showed a continuing weakness in continental Europe, which showed signs of recovery in local consumption, on the one hand, and, on the other, was affected by a reduction in purchases from the abovementioned tourism flows, mainly due to the uncertainties arising from terrorism risks. The sole exception was the UK market, which benefitted from the depreciation of the pound sterling, after the Brexit referendum. On the contrary, the US market confirmed the trend that had already showed at the end of the previous year, which was characterised by weak consumption, mainly due to a lower number of tourists and was exacerbated by feelings of insecurity on the part of local consumers in the year of presidential elections. However, positive signs came from the important continental China market, which showed clear signs of recovery after three years of decline, thanks to the renewed interest of customers in the purchases from the local retail network.

In this complex scenario, the Company continued to implement its business development strategies, investing substantial resources in support of long-term growth: in January the Company, through one of its direct subsidiaries, completed the acquisition of the ROGER VIVIER brand. This transaction had a high strategic value, given the positioning of the ROGER VIVIER brand in the highest end of the luxury market and the consequent complementarity with the other Company brands, with a range of products (footwear, leather goods and accessories) intended for the most sophisticated customers.

The transaction was partly financed by making recourse to existing cash and to the loan of 300 million euros raised with a pool of two major credit institutions in 2014. Moreover, in November 2016 there was a partial early repayment of the loan in an amount of 95 million euros, given the good financial position of the Company.

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

Finally, on December 23rd, 2016, TOD'S S.p.A., which is the leading company in its sector, signed an agreement with the competent Revenue Agency Office to regulate the methods and criteria to be used for the calculation of the amount of the financial contribution that the Company's brands gave to the business income, which corresponds to the income subject to tax benefits for the purposes of the "Patent box". In fact, this is a preferential taxation regime for businesses that generate income through the direct use or concession of intellectual property rights to third parties.

The agreement concerns the taxable years from 2015 to 2019 and may be renewed for an additional period of five years.

As regards the results achieved by the Company during the year, the performances were affected by the uncertain macro-economic situation. Therefore, sales during the year came to 637.2 million euros, recording a decline of 11.7% compared to 721.8 million euros in 2015. Based on equal cross-rates, i.e. using the same average exchange rates applied during 2015, revenues would come to 635.9 million euros. However, revenues for the period included the recognition of a non-recurring item concerning a provisions for returns, for 26.3 million euros, relating to some products stocked at the Company's subsidiaries, as a result of the redefinition of distribution strategies. Without considering the effects of this non-recurring transaction, revenues for the period would come to Euro 663.5 million, showing a reduction of 8.1% compared to the previous year (based on equal exchange rates, they would amount to 662.2 million euros, down by 8.3%).

EBITDA and EBIT for the year amounted to 120.3 euros and 100 million euros, respectively. Based on equal exchange rates, gross and net operating margins would be equal to 118.8 euros and 98.5 million euros, respectively, accounting for 18.7% and 15.5% of revenues. Net profit for the year amounted to 64.2 million euros.

euro 000's Main economic indicators	Year 16	Year 15	Change	%
Sales revenues	637,231	721,831	(84,600)	(11.7)
EBITDA	120,279	157,302	(37,023)	(23.5)
Deprec., amort., write-downs and advances	(20,324)	(21,649)	1,325	(6.1)
EBIT	99,955	135,653	(35,698)	(26.3)
Profit before taxes	89,477	123,930	(34,454)	(27.8)
Profit for the year	64,180	85,663	(21,483)	(25.1)
Foreign exchange impact on revenues	(1,329)			
Adjusted sales revenues	635,902	721,831	(85,929)	(11.9)
Impact on operating cost	(115)			
Adjusted EBITDA	118,835	157,302	(38,467)	(24.5)
Adjusted EBIT	98,512	135,653	(37,142)	(27.4)
EBITDA %	18.9	21.8		
EBIT %	15.7	18.8		
Adjusted EBITDA %	18.7	21.8		
Adjusted EBIT %	15.5	18.8		

During the period ended December 31st, 2016, in addition to the abovementioned recognition of a non-recurring item of provision for returns, for 26.3 million euros, the following non-recurring transactions took place:

- a financial compensation of 25 million euros falling within the scope of the acquisition of the ROGER VIVIER brand (Note 28);

- a full non-recurring write-down, for 9.3 million euros, of a portion of non-current seasons stock, mainly as a result of the redefinition of the distribution strategies.

Non-recurring transactions recognised during the year had overall net negative effects of 8.5 million euros on the result for the period, net of related tax effect. Therefore, operating results under EBITDA and EBIT, net of effects arising from non-recurring transactions, would amount to 131.1 euros and 110.7 million euros, respectively, accounting for 20.6% and 17.4% (based on equal exchange rates, they would amount to 129.6 euros and 109.3 million euros, equal to 20.3% and 17.1%, respectively) of sales, respectively.

euro 000's Main Balance Sheet indicators	12.31.16	12.31.15	Change
Net working capital (*)	207,973	264,522	(56,549)
Intangible and tangible fixes assets	261,428	267,241	(5,813)
Other current assets/liabilities	506,480	103,053	403,428
Invested capital	**975,882**	**634,815**	**341,066**
Net financial position	(96,912)	37,050	(133,962)
Shareholders' equity	**878,970**	**671,866**	**207,104**
Capital expenditures	13,250	20,662	(7,412)
Net operating cash flows	143,846	99,429	44,417
Cash flows generated/(used)	2,294	49,255	(46,962)

(*) Trade receivables + inventories - trade payables

Revenues. Revenues decreased overall by 11.7% in the period compared with 2015 (-8.1% without considering the non-recurring operations). In the following table a breakdown of revenues not including the non-recurring operations of the period:

euro 000's	FY 16	%	FY 15	%	Change	%
Brand						
TOD'S	332,494	50.1	374,611	51.9	(42,117)	(11.2)
HOGAN	180,478	27.2	191,172	26.5	(10,694)	(5.6)
FAY	56,431	8.5	54,065	7.5	2,366	4.4
ROGER VIVIER	88,786	13.4	95,784	13.3	(6,998)	(7.3)
Other	5,321	0.8	6,199	0.9	(878)	(14.2)
Total	**663,511**	**100.0**	**721,831**	**100.0**	**(58,320)**	**(8.1)**
Product						
Shoes	512,489	77.2	557,794	77.3	(45,305)	(8.1)
Leather goods	85,106	12.8	96,882	13.4	(11,776)	(12.2)
Apparel	60,610	9.1	60,956	8.4	(346)	(0.6)
Other	5,307	0.8	6,199	0.9	(892)	(14.4)
Total	**663,511**	**100.0**	**721,831**	**100.0**	**(58,320)**	**(8.1)**
Region						
Italy	271,278	40.9	284,809	39.5	(13,531)	(4.8)
Europe	187,869	28.3	189,363	26.2	(1,494)	(0.8)
Americas	55,123	8.3	65,526	9.1	(10,403)	(15.9)
Greater China	104,557	15.8	141,565	19.6	(37,008)	(26.1)
RoW	44,683	6.7	40,568	5.6	4,115	10.1
Total	**663,511**	**100.0**	**721,831**	**100.0**	**(58,320)**	**(8.1)**

In 2016 revenues from TOD'S brands came to 332.5 million euros, showing a reduction of 11.2%. The results were mainly affected by lower traffic at shops, which was affected by reduced purchases on the part of international shoppers. A good performance was recorded by the new collections, which promoted the most iconic products. The HOGAN brand recorded revenues of 180.5 million euros, with a 5.6% difference compared to 2015, which was mainly linked to domestic market; positive results were also recorded by sales in foreign countries. The sales of the FAY brand amounted to 56.4 million euros, up by 4.4% compared to 2015, with a sharp acceleration during the fourth quarter. The Company continued its brand expansion in foreign countries; positive results were recorded in all the geographical areas in which the FAY brand is distributed. The ROGER VIVIER brand achieved revenues of 88.8 million euros (95.8 million euros in 2015), showing a reduction of 7.3% compared to 2015. As already noted for the TOD'S brand, the ROGER VIVIER brand was also affected by a sharp decline in traffic and consumption in a number of major markets for luxury goods, above all on the part of tourists.

As regards product categories, sales data confirm the Company's undisputed leading position in the core business of footwear, whose revenues amounted to 512.5 million euros (557.8 million euros at December 31st, 2015), accounting for 77.2% of turnover, in 2016. Revenues from leather goods and accessories, which amounted to 85.1 million euros (96.9 million euros at December 31st, 2015), accentuated the fall that had already been reported during the previous year; however, the results for the last quarter showed a sharp improvement, as a result of the launch of winter collections at shops, which are more consistent with the brands' DNA.

Sales from clothing came to 60.6 million euros, substantially in line with the previous year (61 million euros at December 31st, 2015).

Revenues from domestic market reflected the global weakness of domestic consumption. In Europe, revenues amounted to 187.9 million euros, substantially in line with the previous year (189.4 million euros). Americas reported a fall of 15.9% in revenues compared to 2015, which was mainly due to a drop in the number of tourists. The Greater China region was still affected by a crisis that hit the Hong Kong market, while positive performances were recorded in the continental China region, with an acceleration during the fourth quarter. The "Rest of the world" area recorded revenues of 44.7 million euros (40.6 million euros in 2015), showing +10.1%, compared to the previous year. In particular, excellent performances were recorded on the South Korean market.

Operating results. In 2016 EBITDA amounted to 120.3 million euros, accounting for 18.9% of sales, against gross EBITDA of 157.3 million euros in 2015, showing a margin of 21.8%.

The performance of exchange rates had a positive impact; based on equal cross rates, i.e. using the average exchange rates applied in 2015, EBITDA would come, in fact, to 118.8 million euros, accounting for 18.7% of revenues.

Personnel costs amounted to 83 million euros (84 million euros in 2015), accounting for a percentage of revenues from sales which passed from 11.6% in 2015 to 13% in the current year.

In 2016 amortisation and depreciation amounted to 18.7 million euros (19.1 million euros in 2015), accounting for 2.9% of revenues. Net of provisions of 1.6 million euros, EBIT for the period from January to December 2016 came to 100 million euros. At December 31st EBIT amounted to 15.7% of the Company's sales. Based on equal exchange rates this ratio would come to 98.5 million euros, accounting for 15.5% of turnover.

In 2015 operating results had been equal to 135.7 million euros, accounting for 18.8% of revenues.

Financial income and costs for the year showed a negative balance for 8.6 million euros, which was mainly affected by interest expense of about 1.9 million euros (0.1 million euros in 2015) and by an amount of about 3.1 million euros taken to profit or loss, concerning the negative fair value of interest rate swaps in place to hedge the medium/long-term syndicated loan raised by the Company, as a result of the unwinding operations carried out during the year (for more details, reference should be made to the explanatory notes to the separate financial statements). After considering a tax effect, for current and deferred income tax, totalling 25.3 million euros (38.3 million in 2015 euros), at a tax rate of 28.3% against 30.9% in 2015, the net result for the period came to 64.2 million euros, against 85.7 million euros in 2015. During the year taxes benefitted from the effect of a financial contribution amounting to about 7.4 million euros, relating to the 2015 and 2016 financial years, arising from the "Patent box", as commented on above. At December 31st, 2016 net profit accounted for 10.1% of revenues.

Capital expenditures. Capital expenditures made in the 2016 financial year amounted to 13.3 million euros, as against the 20.7 million euros in 2015, mainly invested in the development of Group's management systems (software), further to the normal processes of modernisation of facilities and industrial equipment, as well as in assets in the property investments of the headquarter.

Around 3.9 million euros have been invested for additional industrial equipment for the creation of the collections (lasts and moulds). A significant quota of investments, 3.8 million euros in the year, was also allocated to the development of the company information systems.

Net financial position (NFP). At December 31st 2016, the net financial position was negative for 96.9 million euros (against a positive value of 37.1 million euros at December 31st, 2015).

Other current financial assets related to a 1–year loan of 130 million euros granted to subsidiary Roger Vivier S.p.A. on January 27th, 2016. The loan was repaid in full upon maturity and accrues interest at arm's length. In July 2016 Roger Vivier S.p.A. made an early repayment 85 million euros.

At December 31st, 2016 the financial debt included the financial liability relating to the syndicated loan agreement entered into with Mediobanca and Crédit Agricole in 2014, which was aimed at supporting the acquisition of the ROGER VIVIER brand. This loan was subject to a final drawdown of 300 million euros in January 2016 and was subject to a partial early repayment of 95 million euros in November 2016.

At December 31st, 2016 the NFP would amount to about 135.6 million euros (in 2015 the NFP was equal to 98.3 million euros, including dividends distributed during 2015), including *i)* the effects linked to the acquisition of the ROGER VIVIER brand, *ii)* including the capital increase that took place during the year and *iii)* the dividends distributed during the year (66.2 million euros).

euro 000's Net financial position	12.31.16	12.31.15	Change
Current financial assets			
Cash and cash equivalents	87,989	85,696	2,294
Other current financial assets	45,000	1,400	43,600
Current financial assets	**132,989**	**87,096**	**45,894**
Current financial liabilities			
Current account overdraft			
Current share of medium-long term financing	(46,289)	(6,515)	(39,774)
Current financial liabilities	**(46,289)**	**(6,515)**	**(39,774)**
Current net financial position	**86,700**	**80,581**	**6,120**
Non-current financial liabilities			
Medium-long term financing	(183,612)	(43,530)	(140,082)
Non-current financial liabilities	**(183,612)**	**(43,530)**	**(140,082)**
Net financial position	**(96,912)**	**37,050**	**(133,962)**

Operating activities during the year generated cash of 192.6 million euros (against 129 million euros in 2015). Net of any effects arising from non-recurring transactions that took place during the year, the figure amounts to 167.6 million euros, showing an increase of 38.6 million euros compared to 2015. This positive performance was mainly attributable to a careful management of operating working capital. Net of taxes and interest expense, net Cash Flows from operating activities amounted to 143.8 million euros (99.4 million euros at 31 December 2015). Cash flows from investing activities, amounted to 418.4 million euros, against 29.9 million euros in 2015. The increase was due to the capital increase that involved subsidiary Roger Vivier S.p.A., which was subscribed and paid by TOD'S S.p.A. within the acquisition of the ROGER VIVIER brand on the part of the subsidiary itself. Cash flows from financing activities amounted to 276.9 million euros (against uses of cash flows of 20.3 million euros in 2015) and mainly related to the abovementioned capital increase, which was reserved for and was fully subscribed and paid up by related company Gousson - Consultadoria e Marketing S.r.l. (Note 16), as well as to the drawdown of the loan raised with Mediobanca and Crédit Agricole for the abovementioned completion of the acquisition of the ROGER VIVIER brand (Note 19).

euro 000's Statement of cash flows	FY 16	FY 15
Net Cash and cash equivalents at the beginning of the period	**85,696**	**36,440**
Cash flows from operating activities	192,643	129,002
Interests and taxes collected/(paid)	(48,797)	(29,573)
Net cash flows from operating activities	**143,846**	**99,429**
Cash flow generated (used) in investing activities	**(418,416)**	**(29,896)**
Cash flow generated (used) in financing activities	**276,864**	**(20,277)**
Net Cash and cash equivalents at the end of the period	**87,989**	**85,696**

Research and development

Given the particular nature of the 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.

Information on Share Capital

On January 13th 2016 the Extraordinary Shareholders' Meeting of TOD'S S.p.A. resolved a capital increase that was reserved for, and was subscribed and paid up by, related company Gousson - Consultadoria e Marketing S.r.l., for a total amount of 207,500,047.14 euros, through the issue of 2,484,138 ordinary shares, with a par value of 2 euros each, with a share premium of 81.53 euros.

Consequently, at December 31st, 2016 the Company's share capital was divided into 33,093,539 shares, with a par value of 2 euros each, for a total nominal value of 66,187,078 euros (61,218,802 euros at December 31st, 2015).

Own shares and shares or quotas of controlling companies. As of December 31st, 2016 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.

Corporate Governance

The Corporate Governance system

The Corporate Governance system of the parent company TOD'S S.p.A. is based on the traditional system, or "Latin model." The corporate bodies are:

- the Shareholders' Meeting, which has the prerogative of resolving at its ordinary and extraordinary meetings on the matters reserved to it by law or the articles of association;
- the Board of Directors, which is vested with full, unlimited authority for ordinary and extraordinary management of the Company, with the right to perform all those acts that it deems appropriate to implement and realise the corporate purpose, excluding only those reserved by law to the Shareholders' Meeting;
- the Board of Statutory Auditors, which is delegated by law to monitor i) compliance with the law, memorandum of association and compliance with the principles of proper management; ii) the adequacy of the organisational structure of the Company for matters falling under its purview, its internal control system, risks and administrative and accounting system, as well as the adequacy of the latter in fairly reporting operating performance; iii) the adequacy of directives issued to TOD'S Group companies in regard to the information that they must provide in compliance with disclosure obligations; iv) the procedures for effective implementation of the corporate governance rules set out in the Corporate Governance Code adopted by the Group. Legislative Decree 39/2010 delegates the Board of Statutory Auditors the task of monitoring the process of financial disclosure, the effectiveness of the risk control and management systems, internal audit, if applicable, as well as independent audits and certification of the annual accounts and consolidated accounts, and the independence of the audit firm retained to do so.

The Manager in charge of preparing the company financial documents forms part of the corporate governance bodies.

The Board of Directors has set up several internal committees: the Executive Committee, the Internal Control and Risk, the Compensation Committee and the Independent Directors Committee. The last named committee has the role and significant responsibilities that the Regulation of Related Party Transactions, adopted by CONSOB with Resolution no. 17221 of March 12th, 2010 and subsequently amended assigns to the committee comprised exclusively of independent directors.

The adopted corporate governance system is substantially based on the Corporate Governance Code of Listed Italian Companies approved by Corporate Governance Committee of Borsa Italiana S.p.A., whose principles have been adopted by the Board of Directors of Tod's S.p.A. on April 22nd, 2015, and it is based on the reference systems represented by international best practice.

In compliance with the most recent amendments made to the Corporate Governance Code, it should be pointed out that, despite not currently belonging to the FTSE-MIB index, TOD'S S.p.A. has adopted, on a fully voluntary basis, an internal control and risk management system that allow the staff members to report any possible irregularity or violation of applicable regulations and of internal procedures ("Whistleblowing System"), in line with domestic and international best practices, thus ensuring a specific and confidential information channel, as well as the confidentiality of the identity of the reporting party.

Furthermore, in compliance with the new recommendations governing social responsibility laid down in the Corporate Governance Code, TOD'S S.p.A. has appointed, on a fully voluntary basis, an internal committee to supervise the sustainability issues connected with the conduct of the business activity and its interaction with all of its stakeholders.

Disclosure pursuant to Article 123-bis of Legislative Decree 58/1998 (T.U.F.)

At its meeting on March 14th 2017, the Board of Directors of the parent company TOD'S S.p.A. approved the annual Report on Corporate Governance and Shareholdings for the year 2016, which provides, among other, the disclosures mandated pursuant to Article 123-bis (1) of the Consolidated Law on Finance (T.U.F.). That report also analytically illustrates the corporate governance system of TOD'S S.p.A., and it includes not only the information required under Article 123-bis (2) T.U.F., but also a comprehensive examination of the status of implementation of the corporate governance principles recommended by the Corporate Governance Code in accordance with the "comply or explain" principle.

The reader is referred to the Annual Corporate Governance and Shareholdings Report, which is available to the public together with this Report on Operations and accounting documentation. It may be consulted in the corporate section of the *www.todsgroup.com* website.

Disclosure pursuant to Article 123-ter of Legislative Decree 58/1998 (T.U.F.)

On March 14th, 2017, the Board of Directors of Tod's S.p.A. approved, in compliance with Article 123-ter of Legislative Decree 58 of February 24th, 1998 (the "Consolidated Law on Finance" or "T.U.F."), as amended, and Article 84-ter of Consob Resolution no. 11971/99 (the "Issuers Regulation"), as amended, the Remuneration Report that is composed of two sections:

(i) the first is the policy of Tod's S.p.A. in regard to remuneration of the members of the Board of Directors, the General Manager, and the executives with strategic responsibilities in regard to the 2017 financial year, as well as the procedures used for adoption and implementation of this policy;

(ii) the other is aimed at representing each of the items that compose remuneration, and describing the compensation paid in 2016 to members of the Board of Directors and Board of Statutory Auditors, the General Manager and the executives with strategic responsibilities.

The Report will be submitted to the Shareholders' Meeting called for April 21st, 2017, which will be asked to resolve in favour of or against the first section with a non-binding resolution.

The Remuneration Report is available at the registered office of the Company and on the corporate website www.todsgroup.com.

Disclosure of Significant Companies outside the EU

TOD'S S.p.A., the parent company, directly or indirectly controls ten companies that are incorporated and regulated pursuant to the laws of countries that do not belong to the European Union ("Significant Companies outside the EU," as defined by Consob Resolution no. 16191/2007, as amended).

In reference to these companies, note that:

- all of them prepare accounts used to prepare the consolidated financial statements. The balance sheet and income statement of these entities are provided to shareholders of TOD'S S.p.A. at the times and in the ways envisaged by applicable regulations;
- TOD'S S.p.A. has acquired the bylaws and composition and powers of the corporate bodies;
- the Significant Companies outside the EU: *i)* provide the parent company's independent auditor with information that the latter needs to audit the annual and interim accounts of the parent; *ii)* have an administrative and accounting system that is adequate for providing the management, Board of Statutory Auditors and independent auditor of the parent company with the operating, financial position and earnings figures necessary for preparing the consolidated financial statements.

In order to satisfy its own statutory obligations, the Board of Statutory Auditors of TOD'S S.p.A. has audited the adequacy of the administrative and accounting system regularly to provide the management and independent auditor of TOD'S S.p.A. with the operating, financial position and earnings figures necessary for preparation of the consolidated financial statements and the effective flow of information through meetings with the independent auditor and with the Financial Reporting Manager.

Disclosure pursuant to Consob Resolution no. 17221 of March 12th, 2010 (Related Parties Regulation)

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

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

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

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

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.

TOD'S S.p.A. is not subject to management and coordination by the parent company DI.VI. Finanziaria di Diego Della Valle & C. S.r.l. or any other party pursuant to Sections 2497 et seq. Italian Civil Code.

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.

Significant events occurring after the end of the fiscal year

No significant events occurred after the end of the fiscal year 2016.

Business outlook

The Company recorded a sharp improvement in sales and results for the fourth quarter of the year just ended, also thanks to the good results obtained from the Autumn/Winter collections, which reflect the brands' DNA and the Italian style and which combine quality, craftsmanship and innovation. As regards the outlook for the current year, through the development of business strategies, as well as the continuation of cost efficiency measures, it is reasonable to expect that the Company's results will increase in terms of both revenues and margins.

Motion for allocation of the profit for the year

It is proposed that the net profit for FY 2016, 64,180,321.52 euros, be allocated as follows:

i. 7,063,621.12 euros to the extraordinary reserve;

ii. 56,259,016.30 euros, to be distributed to shareholders in the form of a dividend of 1.70 euros per share for each of the outstanding 33,093,539 shares;

iii. 857,684.10 euros to the specific reserve for promoting territorial solidarity projects.

Milan, March 14th, 2017

The Chairman of the Board of Directors
Diego Della Valle

TOD'S s.p.a.

Financial Statements

Income statement

euro 000's	Notes	Year 16	Year 15
Revenues			
Sales revenues (1)	22	637,231	721,831
Other income (2)	22	32,657	6,766
Total revenues and income		**669,888**	**728,597**
Operating costs			
Change in inventories of work in progress and finished goods (3)		(29,875)	22,455
Cost of raw materials, supplies and material for consumption (3)		(219,440)	(273,464)
Costs for services		(170,429)	(188,464)
Costs of use of third party assets	17.3	(23,889)	(22,174)
Personnel costs	23	(83,011)	(84,054)
Other operating charges		(22,965)	(25,595)
Total operating costs		**(549,609)**	**(571,295)**
EBITDA		**120,279**	**157,302**
Amortisation, depreciation and write-downs			
Amortisation of intangible assets	5	(7,119)	(6,874)
Depreciation of tangible assets	6-7	(11,601)	(11,526)
Other adjustment			(729)
Total amortisation, depreciation and write-downs		**(18,720)**	**(19,130)**
Provisions	13-17	(1,604)	(2,519)
EBIT		**99,955**	**135,653**
Financial income and expenses			
Financial income	24	13,372	21,611
Financial expenses	24	(22,008)	(28,611)
Total financial income (expenses)		**(8,636)**	**(7,001)**
Income (losses) from equity investments		(1,843)	(4,723)
Profit before taxes		**89,477**	**123,930**
Income taxes (4)	10-26	(25,296)	(38,267)
Profit for the period		**64,180**	**85,663**
EPS (Euro)		1.95	2.80
EPS diluted (Euro)		1.95	2.80

Note:

(1) Sales revenues include transactions with the Group's entities for 280.9 and 351.2 million euros, respectively, in the fiscal year 2016 and 2015. The item includes, moreover, non-recurring operations, as reduction of revenues, for 26.3 million euros, regarding the extraordinary posting of a return reserve for ROGER VIVIER branded products, following the redefinition of distribution strategies mainly as a consequence of the ROGER VIVIER brand acquisition.

(2) Of which non-recurring for 25 million euros (Notes 22 and 29).

(3) Of which non-recurring for a total of -9.3 million euros (Note 29).

(4) Of which non-recurring for 2.1 million euros (Note 29).

Statement of Comprehensive Income

euro 000's	Notes	Year 16	Year 15
Profit/(loss) for the period (A)		**64,180**	**85,663**
Other Comprehensive Income that will be reclassified subsequently to profit and loss:			
Gain/(Losses) on derivative financial instruments (cash flow hedge)	16.3	2,770	3,655
Total other Comprehensive Income that will be reclassified subsequently to profit and loss (B)		**2,770**	**3,655**
Other Comprehensive Income that will not be reclassified subsequently to profit and loss:			
Cumultated actuarial gains/(losses) on defined benefit plans	18	(238)	511
Total other Comprehensive Income that will not be reclassified subsequently to profit and loss (C)		**(238)**	**511**
Total Comprehensive Income (A)+(B)+(C)		**66,712**	**89,828**

Statement of Financial Position

euro 000's	Notes	12.31.16	12.31.15
Non current assets			
Intangible fixed assets			
Assets with indefinite useful life	5	150,919	150,919
Others	5	23,392	25,355
Total intangible fixed assets		**174,311**	**176,274**
Tangible fixed assets			
Buildings and land	6	56,866	56,732
Plant and machinery	6	11,639	12,241
Equipment	6	9,626	11,352
Leasehold improvement	6	3,882	4,623
Others	6	5,104	6,019
Total property, plant and equipment		**87,117**	**90,967**
Other assets			
Investments properties	8	25	29
Equity investments	9	583,145	179,490
Deferred tax assets	10		
Others	11	2,654	2,640
Total other assets		**585,824**	**182,159**
Total non-current assets		**847,253**	**449,400**
Current assets			
Inventories	12	150,882	185,954
Trade receivables (1)	13	188,569	213,499
Tax receivables	13	10,986	9,136
Derivative financial instruments	14	2,034	1,427
Others	13	68,269	25,233
Cash and cash equivalents	15	87,989	85,696
Total current assets		**508,729**	**520,945**
Total assets		**1,355,981**	**970,344**

to be continued

Note:

[1] Trade receivables include receivables from Group's entities for 99.3 and 126.6 million euros, respectively, at December 31st, 2016 and December 31st, 2015.

continuing

euro 000's	Notes	12.31.16	12.31.15
Shareholders' equity			
Share Capital	16	66,187	61,219
Capital reserves	16	416,507	213,975
Treasury stock	16		
Hedging reserve	16	(1,586)	(4,356)
Retained earnings	16	333,681	315,364
Profit/(Loss) for the period	16	64,180	85,663
Shareholders' equity		**878,970**	**671,866**
Non-current liabilities			
Provisions for risks	17	5,005	5,424
Deferred tax liabilities	10	8,443	16,824
Employee benefits	18	8,845	7,676
Derivative financial instruments	14	2,687	8,598
Bank borrowings	19	183,612	43,530
Other	20	13,269	14,990
Total non-current liabilities		**221,861**	**97,042**
Current liabilities			
Trade payables (2)	21	131,478	134,931
Tax payables	21	3,201	10,468
Derivative financial instruments	14	7,239	2,645
Other	21	66,944	46,877
Bank	19	46,289	6,515
Total current liabilities		**255,151**	**201,436**
Total Shareholders' equity and liabilities		**1,355,981**	**970,344**

Note:

(2) Trade payables include payables to Group's entities for 20.5 and 10.7 million euros, respectively, at December 31st, 2016 and December 31st, 2015.

Statement of Cash Flows

euro 000's	Note	12.31.16	12.31.15
Profit/(Loss) for the period		**64,180**	**85,663**
Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:			
Amortizat., deprec., revaluat., and write-downs	5-6-7-8-10-12-13	38,671	27,798
Other non monetary expenses/(income)	14-16-17	710	(1,608)
Income taxes for the period	26	25,296	38,267
Changes in operating assets and liabilities:			
Trade receivables	13	24,317	(16,244)
Inventories	12	17,577	(10,399)
Tax receivables and tax payables	13-21	5,719	1,302
Trade payables	21	(3,453)	(12,317)
Other assets and liabilities	13-21	18,695	16,763
Change in reserve for employee	18	930	(222)
Cash flows from operating activities		**192,643**	**129,002**
Interests (paid)/collected		(284)	(19)
Income taxes (paid)/refunded		(48,513)	(29,554)
Net cash flows from operating activities (A)		**143,846**	**99,429**
Net investments in intangible and tangible assets	5-6	(12,904)	(20,106)
(Increase) decrease of equity investments	9	(405,498)	(9,791)
Reduction (increase) of other non-current assets	11	(14)	(69)
Cash flows generated (used) in investing activities (B)		**(418,416)**	**(29,896)**
Dividends paid	16	(66,187)	(61,219)
Capital increase	16	207,500	
Others change in Equity			
Loans to subsidiaries	28	(45,000)	(5,700)
Repayments of financial liabilities	19	(119,449)	(3,358)
Proceeds from financial liabilities	19	300,000	50,000
Cash flows generated (used) in financing (C)		**276,864**	**(20,277)**
Translation differences (D)			
Cash flows from continuing operations (E)=(A)+(B)+(C)+(D)		**2,294**	**49,255**
Cash flow from assets held for sale (F)			
Cash flows generated (used) (G)=(E)+(F)		**2,294**	**49,255**
Net cash and cash equivalents at the beginning of the period		85,696	36,440
Net cash and cash equivalents at the end of the period		87,989	85,696
Change in net cash and cash equivalents		**2,294**	**49,255**

It is pointed out that, in order to improve the cash flows presentation for the period, starting from the current financial statements, some changes and reclassifications have been done on the statement of cash flows adopted by the Group (Note 3.21 of the Supplementary Notes). As a consequence, only for comparison purposes, the statement of cash flows at December 31st, 2015 has been reinstated in accordance with the new classification.

Statement of Changes in Equity

Year 2016 euro 000's	Share capital	Capital reserves	Hedging reserve	Retained earnings	Total
Balances as of 01.01.16	**61,219**	**213,975**	**(4,356)**	**401,028**	**671,866**
Profit & Loss account				64,180	64,180
Directly in equity			2,770	(238)	2,531
Total Comprehensive Income			**2,770**	**63,942**	**66,712**
Dividends				(66,187)	(66,187)
Capital increase	4,968	202,532			207,500
Share based payments					
Other				(921)	(921)
Balances as of 12.31.16	**66,187**	**416,507**	**(1,586)**	**397,862**	**878,970**

Year 2015 euro 000's	Share capital	Capital reserves	Hedging reserve	Retained earnings	Total
Balances as of 01.01.15	**61,219**	**213,975**	**(8,011)**	**377,040**	**644,223**
Profit & Loss account				85,663	85,663
Directly in equity			3,655	511	4,165
Total Comprehensive Income			**3,655**	**86,174**	**89,828**
Dividends				(61,219)	(61,219)
Capital increase					
Share based payments					
Other				(968)	(968)
Balances as of 12.31.15	**61,219**	**213,975**	**(4,356)**	**401,028**	**671,866**

TOD'S s.p.a.

Notes to the Separate Financial Statements

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, 2016 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 Separate financial statements has been prepared by the Board of Directors of TOD'S S.p.A. on March 14th, 2017 for the approval of the shareholders meeting on April 21st, 2017 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 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 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 and the statement of changes in equity of TOD'S S.p.A. 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 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 these Separate Financial Statements are consistent with those applied to the preparation of the Separate Financial Statements at December 31st, 2015, except for the information reported below in relation to any amendments, interpretations and new accounting standards applicable from January 1st, 2016.

Accounting standards, amendments and interpretations endorsed by the European Union, which are applicable from January 1st, 2016 and which were first adopted in TOD'S S.p.A. separate financial statements at December 31st, 2016

• Amendments to IAS 27: Equity Method in Separate Financial Statements. These amendments, which were published in August 2014 and were approved by the European Union in December 2015, allow the equity method to be used in the preparation of separate financial statements, in addition to other methods (cost method, IFRS 9/IAS 39) set out to account for investments in subsidiaries, associates and joint ventures. The application of these amendments has had no impact on the Company.

• Amendments to IAS 1: Disclosure Initiative. These amendments, which were published in December 2014, provide a set of clarifications on the concepts of relevance and aggregation, the methods of presentation of partial results in addition to those required by IAS 1, the structure of the notes and the disclosures on significant accounting policies. The application of these amendments has had no impact on the Company.

• Amendments to IFRS 10, IFRS 12 and IAS 28. These amendments, which were published in December 2014, were aimed at clarifying the methods of accounting for the results from investing activities inside a Group. The application of these amendments has had no impact on the Company.

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

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

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

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

Accounting standards, amendments and interpretations endorsed by the European Union, which will be applicable from January 1st, 2017 and not early adopted by TOD'S S.p.A.

•IFRS 15 – Revenue from Contracts with Customers. On 28 May 2014 the IASB published a document which requires an entity to recognise revenue at the time the control of goods or services is transferred to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services. The new revenue recognition model sets out a process in five steps

1) Identifying the contract with a customer;

2) Identifying the performance obligations;

3) Determining the transaction price;

4) Allocating the transaction price to the performance obligations;

5) Recognising revenue when the entity satisfy a performance obligation.

The new standard also requires additional disclosures regarding the nature, amount, timing and uncertainty of the revenue and cash flows arising from these contracts with customers. The IASB expects to adopt it from 2018, while the European Union endorsed it on 22 September 2016. Furthermore, on April 12th, 2016 the IASB published amendments to the standard: Clarifications to IFRS 15 Revenue from Contracts with Customers, which are also applicable as from January 1st, 2018. These amendments are aimed at clarifying the procedures to identify an entity as a "Principal" or as an "Agent" and to establish whether revenues from licences must be deferred throughout the term thereof.
Based on a preliminary analysis, the future adoption of this standard should not have any significant impact on the Company's financial statements.

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

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

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

The IASB expects to adopt it from 2018, while the European Union endorsed it on November 22nd, 2016. Based on a preliminary analysis, the future adoption of this standard should not have any significant impact on the Company's financial statements.

Accounting standards, amendments and interpretations published by the IASB but not yet endorsed by the European Union.

•IFRS 14 – Regulatory Deferral Accounts. On January 30th, 2014 the IASB published the document as the first step in the wider Rate-regulated activities project, which was started by the IASB in

September 2012. IFRS 14 allows entities, but only those which are first-time adopters of IFRS, to continue to recognise the amounts of assets/liabilities subject to rate regulation according to the accounting standards previously adopted. In order to enhance comparability with entities that already apply IFRS and do not recognise these amounts separately, the standard requires the effect of rate-regulated activities to be presented separately from other items in the statement of financial position, the income statement and the statement of comprehensive income. IFRS 14 came into force on 1 January 2016, but the European Commission decided to suspend the endorsement process, pending the drawing up of the new accounting standard on rate-regulated activities.

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

• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Asset between an Investor and its Associate or Joint Venture (issued on 11 September 2014). The document is aimed at resolving a conflict existing between the provisions laid down under IFRS 10 and those under IAS 28 in the event that an investor sells or contributes a business to an entity from among its associates or joint ventures, providing for the full recognition of any capital gain or loss arising from the loss of control at the time of the sale or contribution of the business, or for a partial recognition in the event that only single assets are involved. The IASB has postponed its adoption until the IASB project on the equity method is completed. From a preliminary analysis it emerges that the possible future adoption of this standard should have no significant impact on the Company's financial statements;

• Amendments to IAS 12: Income taxes. These amendments, which were published by the IASB on January 19th, 2016, clarify how to account for deferred tax assets relating to debt instruments measured at fair value. The IASB expects to adopt them from January 1st, 2017. From a preliminary analysis it emerges that the possible future adoption of this standard should have no significant impact on the Company's financial statements;

• Amendments to IAS 7: Statement of Cash Flows. These amendments, which were issued by the IASB on January 29th, 2016, require information to be provided in the financial statements about changes in financial liabilities, aimed at improving the disclosures provided to investors in order to help them to better understand the changes recorded in said payables. The IASB expects to adopt them from January 1st, 2017. Based on a preliminary analysis, the future adoption of this standard should not have any significant impact on the Group's financial statements.

• Amendments to IFRS 2: Clarifications of Classification and Measurement of Share-based Payment Transactions. These amendments, which were published by the IASB on June 20th, 2016, provide some clarifications relating to the method of accounting for the effects of vesting conditions in the case of cash-settled share-based payments, the classification of share-based payments on a net settlement basis and any change in the terms and conditions of a share-based payment implying its reclassification from cash-settled to equity-settled items. The amendments will become applicable from January 1st, 2018. Based on a preliminary analysis, the possible future adoption of this standard should not have any significant impact on the Company's financial statements.

• Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts. These amendments were issued by the IASB on September 12th, 2016, with the effective date being expected on January 1st, 2018. The amendments were intended to address concerns about the application of IFRS 9 on financial instruments before the introduction of the new insurance contract standards. Furthermore, the amendments provide two options for entities that enter into insurance contracts within the scope of IFRS 4: i) an option that would permit entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; and (ii) an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4. Based on a preliminary analysis, the possible future adoption of this standard should not have any significant impact on the Company's financial statements.

• Amendments to IAS 40: regarding transfers of investment property. These amendments were issued by the IASB on December 8th, 2016, with the effective date being expected on January 1st, 2018.

The amendment provides as follows: i) paragraph 57 of IAS 40 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use; ii) the list of evidence in paragraph 57(a) – (d) is designated as non-exhaustive list of examples. Based on a preliminary analysis, the possible future adoption of this standard should not have any significant impact on the Company's financial statements.

• IFRIC 22: Foreign Currency Transactions and Advance Consideration. This interpretation, which was issued by the IASB on December 8th, 2016, covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts. The IASB expects to adopt it from January 1st, 2018. Based on a preliminary analysis, the possible future adoption of this interpretation should not have any significant impact on the Company's financial statements.

• Annual improvements to IFRS Standards: 2014-2016 Cycle. This document was issued by the IASB on December 8th, 2016, the effective date being expected on 1 January 2018. This session concerned the following topics: i) IFRS 1: short-term exemptions provided for in paragraphs E3-E7 are eliminated, since the reasons for their provision have ceased to exist; ii) IFRS 12: clarifications are provided about the purpose of the standard, specifying that the disclosure requirements, except for those laid down in paragraphs B10-B16, apply to the interests of an entity listed in paragraph 5, which are classified as held for sale, for distribution or as discontinued operations pursuant to IFRS 5; iii) IAS 28: it is clarified that it is possible to make the decision to measure, at fair value through profit or loss, any investment in a subsidiary or a joint venture held by a venture capital company, in relation to each investment in subsidiaries or joint ventures since their initial recognition. Based on a preliminary analysis, the possible future adoption of this standard should not have any significant impact on the Company's financial statements.

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 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 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.

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 derivate financial instruments (mainly currency futures contracts) to hedge the risks stemming from foreign exchange exposure and to hedge interest rate risks deriving from its operating activity, without any speculative or trading purposes, and consistently with the strategic policies of centralized 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.
The hedge accounting method is used at every financial statement closing date. This method 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 shareholders' equity, 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.

3.4 Intangible fixed assets.

iii. 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.

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 overhead 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 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.

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.

3.5 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. Leasing. Lease agreements in which the Company assumes all the risks and benefits deriving from ownership of the asset are classified as finance leasing. The assets (real estate, plant, and machinery) possessed pursuant to these agreements are recorded under property, plant, and equipment at the lesser of their fair value on the date the agreement was made, and the current value of the minimum payments owed for leasing, net of accumulated depreciation and any impairment losses (according to the rules described in the section *Impairment losses*). A financial payable for the same amount is recognized instead under liabilities, while the component of interest expenses for finance leasing payments is reported on the profit and loss account according to the effective interest method.

iii. 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.

iv. 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.

v. 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 plant 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.

3.6 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 Company'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 Company.
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.

3.7 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.

3.8 Financial assets.

These are recognized and cancelled on the balance sheet according to the trading date and are initially valued at fair value which generally correspond to the cost, including costs directly related with the acquisition.

At the subsequent financial statement dates, the financial assets that the company intends and is able to hold until maturity (securities held until maturity) are recognized at the amortized cost according to the effective interest method, net of impairment losses.

Financial assets other than those held to maturity are classified as held for trading or available for sale, and are recognized at their fair value at the end of each period. When the financial assets are held for trading, the profits and losses deriving from changes in the fair value are recognized on the profit and loss account for the period. In the case of financial assets available for sale, the profits and losses deriving from changes in the fair value are recognized directly in shareholders' equity until they are sold or have sustained a loss in value. At that time, the aggregate profits or losses that were previously recognized in shareholders' equity are recognized on the profit and loss account of the period.

3.9 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.

3.10 Trade receivables and other receivables. These are initially recognised at fair value, including transaction costs, and subsequently measured at amortized cost. The measurement considers the recoverable amount of the assets through the recognition of a specific allowance for doubtful accounts determined as follows:

- 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.

3.11 Cash. 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.

3.12 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.

3.13 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.

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.

3.14 Payables.

i. **Bank overdrafts and financing.** Interest-bearing financing and bank overdrafts are initially recognized at fair value net of transaction costs, and subsequently valued at the amortized cost, using the effective interest method.

ii. **Trade payables and other payables.** These are measured at fair value which generally correspond to their nominal value.

3.15 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.

3.16 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.

3.17 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

3.18 Revenues recognition. Revenues are recognized on the profit and loss account when the significant risks and benefits connected with ownership of the transferred assets are transferred to the buyer. In reference to the main transactions realized by the company, revenues are recognized on the basis of the following principles:

a. 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;

b. Sales of goods – wholesale. The company distributes products on the wholesale market. These revenues are recognised when the goods are shipped and considering the estimated effects of returns at the end of the year;

c. Provision of services. This income is recognised in proportion to the percentage of completion for the service provided on the reference date;

d. Royalties. These are recognised on the financial statements on accrual basis.

3.19 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 finance leasing (IAS 17) 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 company accrues the right to receive the payment.

3.20 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 goowill 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 arose from the transfer of non-distributed profits from subsidiaries are posted only when there is the real intention to transfer such profits.

3.21 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.
Starting from the current financial statements, the Statement of cash flows has been modified and reclassified. In detail, in order to improve the representation of cash flows for the period,

the following adjustments have been done: i) corporate taxes paid/reimbursed and financial interests paid/collected have been presented separately (IAS 7, par. 35) in the appropriate section of operating cash flow, ii) non-current assets, mainly related to security deposits, have been reclassified from investing activities to operating activities, iii) repayments and proceeds from financial liabilities have been presented separately in the financing section of the statement of cash flows, previously presented as a net variation.

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, which led to the rationalisation of Italian independent distribution in the course of the financial year, with a view to conserving the exclusive nature and positioning of the products and protecting the quality of the receivables. 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, 2016 gross of allowances for doubtful accounts:

euro 000's		Overdue			
	Current	0>60	60>120	Over	Total
Third Parties	60,511	23,095	5,104	6,233	94,943

The prudent estimate of losses on the entire credit mass existing at December 31st, 2016 was 5.7 million euros. The total amount of overdue receivables at December 31st, 2016 for 34.4 million euros is now about 9.7 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.

In connection with the syndicated loan for a total of 400 million euros, on January 27th, 2016 the Company drawn definitely 300 million euros (Note 19) used for the completion of ROGER VIVIER brand acquisition. The said loan has been partially early refunded in November 2016 for an amount of 95 million euros.

Furthermore, it should be noted that, the Company, in order to borrow the liquid funds needed to meet any possible requirement connected with ordinary sales and general corporate operation, entered into three loan agreements, by which have been granted three medium/long-term revolving credit facilities respectively by: *i)* 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, for a maximum amount of 100 million euros, *ii)* Unicredit S.p.A., signed on November 9th 2016, for a maximum amount of 100 million euros and *iii)* B.N.L. S.p.A., signed on November 28th 2016, for a maximum amount of 100 million euros. These credit facilities will be available for a period of 3 years. At December 31st, 2016 no amount has been used in connection with the above mentioned credit facilities.

Considering the Company profitability and its capacity to generate cash, it's reasonable to believe that liquidity risk is not significant. Moreover, it should be noted that such capacity of generating cash may allow Company to meet these commitments in a period of time that is potentially shorter than that in which the loans and credit facilities are expected to be available.

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 company's risk management policy aims to ensure that the average countervalue in euros of receipts on transactions denominated in foreign currencies for each collection (Spring/Summer and Fall/Winter) is equal to or greater than what would be obtained by applying the pre-set target exchange rates. The 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. Consequently, the company might forego opportunities to realise certain gains, but it avoids running the risks of speculation.

The company defines its exchange risk a priori according to the reference period budget for the reference period and then gradually hedges this risk upon acquisition of orders, in the amount according to which they correspond to budget forecasts. The process of hedging exchange rate risk 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, 2016 is illustrated in Note 14.

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 pre-tax profit (due to changes in the value of current assets and liabilities denominated in foreign currency) 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 2016	FY 2015	FY 2016	FY 2015
CAD	Canada	(20,955.3)	(75,685.7)	83,652.6	53,086.7
CHF	Switzerland	(1,604.1)	(610.4)	674.7	(2,481.8)
GBP	UK	10,802.5	(10,412.4)	11,508.4	(3,877.8)
HKD	Hong Kong	65,679.1	(84,129.9)	92,985.7	(36,225.4)
JPY	Japan	5,999.9	(24,916.6)	27,539.4	120,078.0
KRW	Korea	58.1	(4.6)	5.1	22.1
RMB	China	40,874.5	28,275.6	(31,252.0)	(72,610.0)
SGD	Singapore	(13,510.5)	(9,720.3)	10,743.5	43,501.1
USD	USA	74,465.3	(52,582.3)	58,117.3	(70,335.3)
Other	n.a.	(1,208.8)	(10,623.1)	11,741.3	(2,619.3)
Total		**160,600.6**	**(240,409.8)**	**265,716.1**	**28,538.3**

euro 000's	Revaluation/Writedown foreign currency	Impact on pre-tax profit	Impact on Shareholders' equity
FY 2016	5%	(177.5)	(5,355.5)
	-5%	160.6	5,721.7

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 not 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 a syndicated loan signed with Mediobanca and Crédit Agricole, definitively drawn for 300 million euros, with variable interest rate equal to EURIBOR 3M + 0,90 basis points. To hedge the risk of possible changes in the interest rates on the loan, two derivative contracts (interest rate swaps - IRSs), have been signed, for a notional amount equal to the amount drawn for the loan (Note 14). These derivatives protect the Company from the risk of a generalised rise in interest rates, swapping the variable rate on the loan (3-month EURIBOR + 90 basis points) for a contractually fixed rate (a quarterly rate of 0.748%). Such transactions have been recognised in accordance with cash flow hedge methodology provided by IAS39.

In addition to the above mentioned syndicated loan, TOD'S S.p.A. entered into two loan agreements with BNL S.p.A. (BNP Paribas Group) and Intesa San Paolo S.p.A. respectively, for an

amount of 25 million euros each; the reimbursements will be respectively in four years with a payment of 16 instalments at the end of every quarter and one-shot with a single payment at the expiry date. Interests rates are variables and equal to the EURIBOR 3m + 0.42% and EURIBOR 3m +0.5% respectively (Note 19). Considered the current financial markets situation and the current EURIBOR reference rate, the Company doesn't believe necessary to put in place hedging derivatives for such loans. The financial market trend and the related benchmark interests rates are constantly monitored by the Company, and, in case there could be an increase of risks in connection with the above mentioned loans, the Company will put in place appropriate hedging instruments in accordance with the strengthened Company practice.
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, 2016 would not have any impact on the pre-tax result, mainly due to the hedging instruments entered by the Company.

iv. Categories of measurement at fair value

In accordance with IFRS 7, 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 fair value of derivative financial instruments existing at December 31st 2016 (Note 14) has been classified as Level 2. The fair value of minorities interests in other equity investments has been classified as Level 3. There are no other financial instruments measured at fair value. It is reasonable to deem that the fair value of financial assets and liabilities measured at amortised cost, given their nature, does not differ significantly from their carrying amounts.

5. Intangible fixed assets

5.1 Intangible assets with indefinite useful life. These include 137,235 thousand euros for the value of 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	12.31.16	12.31.15
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	Total
Balance as of 01.01.15	**4,346**	**8,347**	**14,470**	**27,163**
Increases	587	2,835	1,784	5,206
Decreases			(140)	(140)
Impairment losses				
Other changes				
Amortisation of the period	(748)	(3,581)	(2,546)	(6,874)
Balance as of 12.31.15	**4,186**	**7,600**	**13,569**	**25,355**
Increases	300	3,753	1,110	5,162
Decreases			(6)	(6)
Impairment losses				
Other changes				
Amortisation of the period	(777)	(3,629)	(2,712)	(7,119)
Balance as of 12.31.16	**3,708**	**7,724**	**11,960**	**23,392**

Increases for the period are related to the development of information system, to the protection of brands and to long term investments related to corner and franchising network.

Other assets includes 8,234 thousand euros as 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 recognised on 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, 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 1.4 million euros.

6. 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 01.01.15	**45,878**	**7,486**	**13,188**	**5,422**	**16,204**	**88,178**
Increases	3,963	5,513	5,064	114	802	15,456
Decreases	28	(29)	(124)	(70)	(219)	(414)
Impairment losses	(139)	(4)	(586)			(729)
Other changes	8,610	888			(9,498)	
Depreciation of the period	(1,607)	(1,612)	(6,191)	(843)	(1,269)	(11,523)
Balance as of 12.31.15	**56,732**	**12,241**	**11,352**	**4,623**	**6,019**	**90,967**
Increases	1,951	1,404	4,124	150	451	8,080
Decreases		(10)	(177)	(11)	(136)	(334)
Impairment losses						
Other changes						
Depreciation of the period	(1,817)	(1,996)	(5,674)	(879)	(1,232)	(11,597)
Balance as of 12.31.16	**56,866**	**11,639**	**9,626**	**3,882**	**5,103**	**87,117**

The increase in the value of Land and Buildings and Plant and machinery is mainly due to investments done on assets related to Group's headquarter properties.

Equipments' increase is mainly related to the industrial tools acquisition for the creation of new collections (lasts and moulds). Depreciations of the period, related to properties plant and equipments are 11.6 million euros.

7. Impairment losses

The recoverability of the residual value of intangible assets with an indefinite ("Assets") 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 (net of taxes) that reflects current market rates for borrowing money and the specific risk associated with the individual cash generating unit.

The recoverability of Assets was verified by comparing the net book value 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 Assets and by the terminal value attributable to them. In connection with the recoverability of Assets, the Company has identified only one CGU and it has been tested the net invested capital.

The discounted cash flow analysis was carried out by using the FY 2017 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 Board of Directors first assessed the methods and assumptions used in developing the model. In particular:

i. The medium-term projection of budget figures for FY 2017 was carried out on a time horizon of further 4 years, using an average rate of sales growth of 5%, a constant EBITDA margin and a constant tax rate prudently equal to 30%. The assumptions related to the sales growth in the middle term reflect reasonable estimates of growth which consider even the development trend of the whole luxury sector in the foreseeable future;

ii. The terminal value was determined as perpetuity, using, for future forecasts, a prudential long term growth rate in line with the macro-economics estimates performed by the International Monetary Fund.

iii. To determine the "value in use," a WACC, net of taxes, of 8.30% was used (the WACC rate used at December 31st, 2015 was 8.50%), determined by referring to the discounting rates used by a series of international analysts in financial reports on the TOD'S Group.

The analyses carried out on the recoverability of Company assets (including 137.2 million euros represented by proprietary brands and 13.7 million by goodwill from business combinations) showed an expected overall cash flow figure far higher than the total amount of net invested capital (cover).

The sensitivity analysis performed on the impairment test in accordance with 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), did not reveal an appreciable impact on determination of the "value in use" and its coverage. Given the significant value assumed by the cover, it would be necessary to make unrealistic base assumptions to render the "value in use" equal to the book value of tested assets (the break-even hypothesis).

Furthermore, it's been performed an estimate of the recoverable amount of equity investments in subsidiaries (worth 583.1 million euros at December 31st, 2016), in accordance with IAS 36, regarding the investments with impairment indicators. Based on results, the carrying amount of the investments in Tod's Brasil Ltda and Tod's Danmark APS has been impaired, respectively, for 0.8 million euros and 1.1 million euros, because it's not reasonably predictable, as of today, to recover the carrying amount with future cash flows.

Finally, in accordance with IAS 36, it's been performed an estimate of the recoverable amount of brands using the royalty method with the same assumptions indicated above in terms of growth rates, tax rate, WACC and terminal value. From such analysis, no impairment indicators arose, considered that the brands recoverable value is higher than their book value.

8. Investments property

The residual value of investment property at December 31st, 2016 was euro 25 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	(86)
Balance as of 01.01.16	**29**
Increases	
Decreases	
Amortisation of the period	(4)
Balance as of 12.31.16	**25**

9. 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:

euro 000's Equity investments	Percentage of share investment	Share capital	a) Equity pro-quota	of which profit/(loss)	b) Carrying amount	a) - b) Measurement using equity method adjustmens
Equity investments in subsiadiries						
TOD'S Deutschland Gmbh	100%	153	13,144	877	3,153	9,991
TOD'S France Sas	100%	780	19,950	(939)	4,800	15,150
TOD'S Hong Kong Ltd	1%	12,209	1,408	(5,016)	129	1,279
Holpaf B.V.	100%	5,468	41,025	(121)	33,703	7,322
Un. Del. Kft	10%	163	57	(212)	18	39
Del. Com. S.r.l.	100%	31	43,041	(2,471)	51,108	(8,067)
TOD'S Macao Lda.	1%	1,846	69	(464)	19	50
TOD'S International BV	100%	2,600	217,978	326	36,171	181,807
An.Del. Inc.	100%	3,056	60,358	139	34,656	25,702
TOD'S Brasil Ltda.	90%	9,117	2,923	(1,997)	2,733	190
Roger Vivier S.p.A.	100%	10,000	461,876	12,161	415,479	46,397
TOD'S Danmark APS	100%	67	975	(797)	975	
TOD'S Austria Gmbh	100%	50	154	54	50	104
Total			**862,959**	**1,540**	**582,994**	**279,965**
Equity investments in other entities						
Polimoda Consulting S.r.l.	n.s.				20	
Other Equity investments	n.s.				131	
Total					**151**	
Total Equity investments					**583,145**	

Changes in Investments in subsidiaries in year 2016 have been the following:

- Capital Increase, resolved by the Shareholders' meeting on January 22nd, 2016, and entirely paid on January 27th, 2016, for an amount of 9,042,514 euros, of the subsidiary Partecipazioni Internazionali S.r.l., that, in the same meeting, changed company name in Roger Vivier S.p.A.,
- Payment on account of future capital increase in Roger Vivier S.p.A., for an amount of 389,779,086.65 euros fully paid on January 27th, 2016,
- Payment on account of share premium reserve, for a total amount of 470 million JPYs, in the subsidiary Holpaf B.V. (equal to 3,193,270.22 euros, inclusive of hedging exchange effects),
- Capital increase in the subsidiary TOD'S Brasil Limitada, on March 24th, 2016, for an amount of 16,060,800 BRL, subscribed and and paid by TOD'S S.p.A., for its attributable share (direct ownership equal to 90%), for 14,454,720 BRLs, equal to 3,483,065.06 euros.

Furthermore, it's been performed the impairment test, in accordance with IAS 36, on the investments with impairment indicators. Based on results, the carrying amount of the investments in Tod's Brasil Ltda and Tod's Danmark APS has been impaired, respectively, for 0.8 million euros and 1.1 million euros, because it's not reasonably predictable, as of today, to recover the carrying amount with future cash flows.

10. Deferred taxes

At the reporting date, recognition of the effects of deferred tax assets/liabilities, shows a net balance (liability) of 8,443 thousand euros (FY 2015: liability for 16,824 thousand euros).
When determining future tax impact (IAS 12 par. 47), 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	12.31.16	12.31.15
	Net liabilities	Net liabilities
Property, plant and equipment	(2,502)	(2,857)
Intangible fixed assets	(31,916)	(28,476)
Inventory (devaluation)	10,764	5,991
Derivative financial instruments	501	1,652
Costs deductible over several years	13,423	6,483
Reserves for employees	123	(189)
Provisions for risks and charges	366	328
Other	797	242
Total	**(8,443)**	**(16,824)**

11. Other non-current assets

The item Other non current assets is mainly related to receivables versus tax authorities to be refunded.

12. Inventories

The following table shows the book value of the inventories:

euro 000's	12.31.16	12.31.15	Change
Raw materials	53,858	53,756	102
Semi-finished goods	9,003	10,693	(1,691)
Finished products	126,367	142,355	(15,988)
Write-downs	(38,346)	(20,850)	(17,495)
Total	**150,882**	**185,954**	**(35,073)**

The allowance for inventory write-downs reasonably reflects the technical and stylistic obsolescence of the Group's inventories at December 31st, 2016. During the year, inventory write-downs has been used for 1.3 million euros (1.1 million euros in 2015); the amount accrued during FY 2016 totalled 18.8 million euros (5.3 million euros in 2015) and it includes an extraordinary write-off of the stock for 9.5 million euros due to the redefinition of the distribution strategies (Note 29).

13. Trade receivables and other current assets

13.1 Trade receivables.

euro 000's	12.31.16	12.31.15	Change
Third parties	94,943	91,999	2,944
Subsidiaries	99,317	126,578	(27,261)
Allowances for doubtful accounts	(5,691)	(5,077)	(613)
Net trade receivables	**188,569**	**213,499**	**(24,930)**

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 amount of the adjustment to the face value of the receivables represents the best estimate of the loss determined against the specific and generic risk of inability to collect identified in the receivables recognised on the balance sheet, The changes in the allowances for bad debts are illustrated as follows:

euro 000's	12.31.16	12.31.15
Balance as of 01.01.16	**5,077**	**5,364**
Increase	1,000	800
Decrease	(387)	(1,087)
Balance as of 12.31.16	**5,691**	**5,077**

13.2 Tax receivables. Totalling 10,986 thousand euros (FY 2015: 9,136 thousand euros), they are mainly represented by receivables for income taxes and value added tax VAT.

13.3 Other.

euro 000's	12.31.16	12.31.15	Change
Prepaid expenses	2,125	2,286	(161)
Financial assets	45,000	1,400	43,600
Others	21,143	21,547	(404)
Total	**68,269**	**25,233**	**43,036**

The item "Others" mainly relates to receivables versus manufacturers for the raw materials sold in connection with manufacturing activities, to receivables for credit cards and other current receivables.

Financial assets are comprised exclusively by loans granted to the Group's companies:

euro 000's	12.31.16	12.31.15	Change
Current account overdraft	45,000	1,400	43,600
Financing within 12 months			-
Total current assets	**45,000**	**1,400**	**43,600**
Financing beyond 12 months	-	-	-
Total financial assets	**45,000**	**1,400**	**43,600**

The amount of 45 million euros related to a 1-year loan of 130 million euros granted to subsidiary Roger Vivier S.p.A. on 27 January 2016. The loan may be repaid in full upon maturity and accrued interest at arm's length. In July 2016 Roger Vivier S.p.A. made an early repayment of 85 million euros.

14. Derivative financial instruments

Given the Company's major presence on international markets, it is exposed to exchange rate risk, principally for revenues denominated in currencies other than the euro (see Note 4). The principal currencies that pose this risk are the U.S. dollar, Hong Kong dollar, Swiss franc, and British pound.

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. In order to realise the objectives envisaged in the Risk Management policy, derivative contracts were made for every single foreign currency to hedge a specific percentage of revenue (and cost) volumes expected in the individual currencies other than the functional currency. At each reporting date, the hedge accounting method is applied. This requires recognition of the derivatives in equity at their fair value and recognition of the changes in fair value, which varies according to the type of hedge at the valuation date. At the closing date, the notional amount of the currency forward sales agreements are summarized as follows:

Currency 000's	Sale		Purchase	
	Notional currency	Notional euro	Notional currency	Notional euro
US Dollar	30,700	29,124		
Hong Kong Dollar	516,000	63,118		
Japanese Yen			2,180,000	17,666
British Pound	19,900	23,243		
Swiss Franc	9,150	8,520		
Chinese Renmimbi	379,000	51,775		
Canadian Dollar	6,300	4,440		
Brazilian Real	870	254		
Total		**180,474**		**17,666**

All derivative contracts will expire during the year 2017. At December 31st, 2016, the net fair value of foreign currency hedges on exchange rate risks was 3,299 thousand euros, positive for 2,034 thousand euros (FY 2015: 1,427 thousand euros) and negative for 5,333 thousand euros (FY 2015: 2,645 thousand euros). The net fair value of foreign currency hedges that were earmarked for cash flow hedges was 1,669 thousand euros at December 31st, 2016.

Against the contracts for these last hedges, which were closed between January and December 2016, 1,852 thousand euros in hedge derivatives were transferred to the profit and loss account, recognised as an increase in revenues.

At December 31st, 2016 two derivative contracts (interest rate swaps - IRSs) were also in place, which were entered into on July 23rd, 2014 to hedge the risk associated with fluctuations in the interest rates on the already commented variable rate loan transaction with Mediobanca and Crédit Agricole (Note 19). These derivative contracts, having an initial notional amount for 400 million euro equal to the value of the amounts of the loan made available to TOD'S S.p.A., protect the Company from the risk of a generalised rise in interest rates, swapping the variable rate on the loan (3-month EURIBOR + 90 basis points) for a contractually fixed rate (a quarterly rate of 0.748%). When the loan have been definitely drawn on January 25th, 2016 for 300 million euros (Note 19), the notional amounts of derivatives have been realigned to the notional amount actually drawn (so-called unwinding). An additional unwinding have been done for the partial early refund of 95 million euros occurred on November 2016 (Note 19).

At December 31st, 2016 the fair value of such derivatives, negative for 4,593 thousand euros, has been presented for 2,687 thousand euros in the non-current liabilities in accordance with the period on which the effects will be generated. The amount recognised in the financial expenses for the current year was 5,767 thousand euros, of which 3.120 thousand euros related to the above mentioned unwinding transactions.

15. Cash and cash equivalents

Cash and cash equivalents are related to cash and bank deposits for 87,989 thousand euros (85,696 thousand euros at December 31st, 2015). For further information see the statement of cash flow.

16. Shareholders' equity

16.1 Share Capital. At December 31st, 2016, the Company share capital totalled 66,187,078 euros (61,218,802 euros at December 31st, 2015), and was divided into 33,093,539 shares (30,609,401 shares at December 31st, 2015) having a par value of 2 euros each, fully subscribed and paid in. All shares have equal voting rights at the general meeting and participation in profits. Share capital increased as a consequence of the capital increase resolved by TOD'S S.p.A. extraordinary shareholder's meeting held on January 13th, 2016 reserved to Gousson – Consultadoria e Marketing S.r.l. which subscribed and paid it on January 27th, 2016. At December 31st, 2016, Mr. Diego Della Valle, President of the Board of Directors, hold, directly and indirectly, 60.663% of TOD'S S.p.A. share capital. At December 31st, 2016 the Company did not own treasury shares, and it did not execute any transactions on those shares during the year.

16.2 Capital reserves. Capital reserves are exclusively related to share premium reserve, amounting to 416,507 thousand of euros as of December 31st, 2016 (213,975 thousand of euros as of December 31st, 2015). The increase for the year is related to the above mentioned capital increase transaction, occurred with 81.53 euros of additional price per share.

16.3 Hedging reserve. The hedging reserve includes both the measurement of derivatives related to the hedging of highly probable forecast transactions in foreign currencies, which is positive for 1,591 thousand euros, net of tax effects, and the measurement of IRS in connection with hedging of interest rate risks, which is negative for 3,177 thousand euros, net of tax effects (see Note 14). Such reserve includes even some intercompany capital transactions, for which derivatives have been expired at December 31st, 2016, that will be transferred to the income statement when forecast transactions will be realized.

euro 000's	Hedging reserve
Balance as of 01.01.15	**(8,011)**
Change in fair value of hedging derivatives	(9,461)
Transfer to Profit and Loss Account of hedging derivates	13,116
Other	
Balance as of 01.01.16	**(4,356)**
Change in fair value of hedging derivatives	587
Transfer to Profit and Loss Account of hedging derivates	2,182
Other	
Balance as of 12.31.16	**(1,586)**

16.4 Retained earnings. The following schedule illustrates the changes in fiscal 2015:

euro 000's	Retained earnings	Profit (loss) of the period	Total
Balance as of 01.01.15	**298,626**	**78,414**	**377,040**
Allocation of 2014 result	17,195	(17,195)	
Dividends		(61,219)	(61,219)
Profit for the period		85,663	85,663
Other changes	(457)		(457)
Balance as of 01.01.16	**315,364**	**85,663**	**401,028**
Allocation of 2015 result	19,476	(19,476)	
Dividends		(66,187)	(66,187)
Profit for the period		64,180	64,180
Other changes	(1,159)		(1,159)
Saldo al 31.12.16	**333,681**	**64,180**	**397,862**

Other changes for 2015 and 2016 are mainly related to the use of the reserve for promoting territorial solidarity projects, for 921 thousands euros, and to the recognition of cumulated actuarial gains/(losses) for the period (IAS 19).

16.5 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 Description	Possibility of use	Available amount	Use in the preceding 3 years: Coverage of losses	Others
Capital reserves				
Share capital	---	---	-	-
Share premium	A,B,C	(1) 416,507	-	-
Stock options reserve		-		
Hedging reserve				
Hedging reserve		-		
Retained earnings				
Legal	B	13,237	-	-
Extraordinary	A,B,C	292,845	-	-

[(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:

a. 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;

b. 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 reduction 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.

16.6 Dividends. During 2016, the parent company TOD'S S.p.A. paid to the shareholders dividends for the net income realised in 2015. The aggregate amount of paid dividends is 66.2 million euros, at the rate of 2.0 euros for each of the 33,093,539 shares representing the share capital at the coupon detachment date (May 23rd, 2016). Regarding the net profit for FY 2016, totalling 64,180,321.52 the Board of Directors has proposed to distribute a dividend for 1.70 euros per share, totalling 56,259,016.30 euros in accordance with the current shares. The dividend is subject to approval by the annual Shareholders' Meeting in April 21th, 2017, and was not included among the liabilities reported on this balance sheet.

17. Provisions and contingent liabilities and assets

17.1 Provisions. They include 5,005 thousand euros (5,424 thousand euros in 2015) as the prudent estimate of liabilities that the Group might incur if it loses a series of pending legal and tax lawsuits. Accruals for the year are equal to 1,064 thousand euros (1,719 thousand euros in 2015) while the provision used during the year was 1,483 thousand euros (143 thousand euros in 2015).

17.2 Contingent liabilities and other commitments

i. Guarantees granted to others. A total of euro 52,395 thousand euros been granted to others at December 31st, 2016 (63,212 thousand euros in 2015). The amount is mainly related to guarantees granted to secure the contractual commitments of subsidiaries, comprised for 46,971 thousand euros to bank credit lines provided to the subsidiaries, for which the company acts as guarantor (FY 2015: 59,520 thousand euros).

ii. Guarantees received from third parties. Guarantees received by the company from banks as security for contractual commitments totalled 6,282 thousand euros (7,658 thousand euros in 2015).

iii. Other guarantees. TOD'S S.p.A. is guarantor (by taking over from the previous guarantor for the contractual obligations assumed by Holpaf B.V.) in favour of the banks that subscribed the two non-convertible, amortised and fixed-rate bond loans (Intesa San Paolo Bank Ireland PLC and Société Européenne de Banque), issued in 2006 by the subsidiary Holpaf B.V. to refinance the debt assumed to purchase the land and construction of the building in Omotesando, Tokyo. In detail, these covenants concern:

a) *Property Purchase Option*: a put option granted to Intesa San Paolo Bank Ireland PLC on the Omotesando property, which may be exercised only if Holpaf B.V. defaults during the term of the bonds and the creditor demands payment of the mortgage. In this scenario, TOD'S S.p.A. must purchase the property at a specific price that varies over the term of the option (decreasing price, equal to the amount of the residual debt of the two bonds not repaid by Holpaf B.V. at the time of default).

b) *Earthquake Indemnity Letter*: TOD'S S.p.A. has undertaken to hold harmless the rights to repayment of the bonds held by Intesa San Paolo Bank Ireland PLC and Société Européenne de Banque even in the event of damage or destruction of the property in an earthquake.

c) *All Risks Indemnity Letter:* TOD'S S.p.A. has undertaken to hold harmless the rights to repayment of the bonds held by Intesa San Paolo Bank Ireland PLC and Société Européenne de Banque even in the event of damage or destruction of the property due to any event.

d) *Pledge on the fire insurance policy*: in the event of loss due to building fire, any reimbursement by the insurance company constitutes a pledge in guarantee of the bonds whose value has not yet been repaid to Intesa Sanpaolo Bank Ireland PLC and Société Européenne de Banque.

At December 31st 2016, the residual face value of the principal for the two bonds amounted to JPY 2,070 million (16.8 million euros).

17.3 Operating lease agreements. The operating leases entered into by the Company are for use of properties used to conduct its operating activities (offices, production plants). The amount of minimum lease payments pursuant to these agreements is as follows:

euro millions	2016	2015
2016		6.1
2017	6.1	5.0
2018	4.5	3.6
2019	3.4	2.6
2020	3.2	2.4
2021	3.1	
Over 5 years	3.1	4.8
Total	**23.4**	**24.4**

Operating lease instalments, included in the item Costs of use of third party assets, totalled euros 7.6 million in fiscal year 2016 (FY 2015: 7.7 million euros).

18. Employee benefits

Following the statutory amendments introduced beginning January 1st, 2007 all amounts for employee severance indemnities ("TFR" a deferred benefit plan in favour of company) accrued after that date are covered by the rules applicable to defined contribution plans (IAS 19). These no longer require actuarial calculation and discounting processes, since all of the business's obligation to employees have ceased[2].

The main actuarial assumptions used for the valuation are summarized below:

- Discounting rate: 1.31%
  It is related to the average yield curve from IBOXX Eurozone Corporates AA of December 2016.
- Inflation rate: 1.5%;
- TFR incremental rate: 2.625%.

The table below shows the variation of the liability occurred in 2016:

[2] 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.

euro 000's	Year 2016	Year 2015
Opening balance	**7,676**	**8,409**
Service costs		
Interest costs	157	127
Benefits paid	(429)	(349)
Actuarial (gains)/losses	238	(511)
Other		
Closing balance	**7,642**	**7,676**

Employee benefits include even other long term employee benefits.

19. Financial liabilities

euro 000's	12.31.16	12.31.15	Change
Current account overdraft			
Financing	229,901	50,045	179,856
Total	**229,901**	**50,045**	**179,856**

Currency 000's Type	Counterpart	Currency	Maturity	Res. Debt in currency	Res. Debt in euros
Medium and long term bank pool loan	Mediobanca - Crédite Agricole	Eur	2021	189,298	189,298
Finanziamento a m/l termine	Banca Nazionale del lavoro S.p.A.	Eur	2019	15,628	15,628
Finanziamento a m/l termine	Intesa SanPaolo S.p.A.	Eur	2019	24,975	24,975
Total financing					**229,901**

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, for a maximum amount of 400 million euros and finally drawn for 300 million euros on January 27th, 2016 in order to complete the acquisition of ROGER VIVIER brand, already commented above. On November 2016 such loan has been partially early refunded for 95 million euros. Such loan has a variable interest rate equal to EURIBOR 3M + 0,90 basis points which was hedged with two derivative contracts (interest rate swaps - IRSs) for the same notional amount and duration (Note 14). The duration of such loan is 7 years from the signing date (July 2014) and it will be refunded quarterly starting from October 2016.

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

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

Bank	Financial covenants	Limit at 31st December
Mediobanca/Crédit Agricole	Net financial liabilities/EBITDA	≤ 3,5
Banca Nazionale del lavoro S.p.A.	Net financial liabilities/EBITDA	≤ 3,5
Intesa SanPaolo S.p.A.	Net financial liabilities/EBITDA	≤ 3

The parameters indicated above are constantly monitored by the Company, and all financial covenants are fulfilled at December 31st, 2016.

Moreover, It's highlighted that, on October 25th, 2016, TOD'S S.p.A. uses its right for the anticipated redemption of two lease agreements paying the remaining liabilities for 3.2 million euros and, as a consequence, becoming the owner of the two industrial building (a factory and a building for offices) located in Montegranaro (FM), next to the Group headquarter.

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/Credit Agricole)	Total
2017	6,250		40,000	46,250
2018	6,250		40,000	46,250
2019	3,125	25,000	40,000	68,125
2020			40,000	40,000
2021			30,000	30,000
oltre 5 anni				
Totale	**15,625**	**25,000**	**190,000**	**230,625**
Accruals and amortized cost	3	(25)	(702)	(724)
Totale	**15,628**	**24,975**	**189,298**	**229,901**

Finally, to be thorough, it's highlighted that TOD'S S.p.A. entered in 3 new loan agreements during 2016 of which details will be provided as follows:

- 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, for a long term revolving credit facility (commitment period 3 years) for a maximum amount of 100 million euros. Interest rate is variable and equal to EURIBOR (1m, 3m or 6m depending on the period chosen once the facility will be used) + a variable margin, depending on the net financial indebtedness/EBITDA ratio, which goes from 60 basis points to a maximum of 80 basis points;

- Unicredit S.p.A., signed on November 9th 2016, for a long term revolving credit facility (commitment period 3 years) for a maximum amount of 100 million euros. Interest rate is variable and equal to EURIBOR (1m, 3m or 6m depending on the period chosen once the facility will be used) + 30 basis points;
- B.N.L. S.p.A., signed on November 28th 2016, for a long term revolving credit facility (commitment period 3 years) for a maximum amount of 100 million euros. Interest rate is variable and equal to EURIBOR (1m, 3m or 6m depending on the period chosen once the facility will be used) + 60 basis points.

At December 31st, 2016 no amount has been used in connection with the above mentioned credit facilities.

20. Other non-current liabilities

The balance for this item, 13.3 million euros (15 million euros at December 31st, 2015), refers for about 10 million euros to the liability recognised in relation to the agreement made for financing of restoration work on the Coliseum (Note 5), for 2.7 million euros to the non-current part of the return reserve and for 0.6 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.

21. Trade payables and other current liabilities

21.1 Trade payables.

euro 000's	12.31.16	12.31.15	Change
Third parties	110,970	124,225	(13,254)
Subsidiaries	20,507	10,706	9,801
Total	**131,478**	**134,931**	**(3,453)**

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.

21.2 Tax payable.

At December 31st, 2016 tax payables are 3,201 thousand euros and they mainly relate to withholding taxes on income of employees (10,468 thousand euros in 2015).

21.3 Other.

euro 000's	12.31. 16	12.31. 15	Change
Payables to employees	5,773	6,862	(1,089)
Social security institutions	4,253	4,366	(113)
Others	56,919	35,650	21,269
Total	**66,944**	**46,877**	**20,067**

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 3.4 million euros, the current portion of estimated returns at the end of the financial year for 45.1 million euros, and other liabilities versus subsidiaries for 5.4 million euros. The change compared to the previous year was mainly attributable to the recognition of a non-recurring provision for returns relating to ROGER VIVIER-branded products for 26.3 million euros, following the redefinition of distribution strategies, mainly as a result of the acquisition of the ROGER VIVIER brand (Note 29).

22. Revenues

Net sales during the year totalled 637.2 million euros (721.8 million euros in 2015). For further comments on sales revenues see the report on operations.

The item "Other revenues and income" amounts 32.7 million euros (6.8 million euros in 2015) and it mainly includes the payment by Gousson Consultadoria e Marketing S.r.l. of an indemnity of 25 million euros in connection with ROGER VIVIER brand acquisition (Note 28), further to active royalties and insurance reimbursements.

23. Personnel costs

The personnel costs incurred by the Group in FY 2016 as compared with those for FY 2015 are illustrated as follows:

euro 000's				% on revenues	
	Year 2016	Year 2015	Change	2016	2015
Wages and salaries	60,476	60,980	(503)	9.5	8.4
Social security contribution	18,517	19,093	(576)	2.9	2.6
Employee sev. indemn.	4,018	3,982	36	0.6	0.6
Total	**83,011**	**84,054**	**(1,043)**	**13.0**	**11.6**

The following table illustrates the breakdown of the Group's employees by category:

	12.31.16	12.31.15	Aver. 16	Aver. 15
Executives	40	38	39	39
White-collar Employees	816	853	859	868
Blue-collar Employees	839	873	849	870
Total	**1,695**	**1,764**	**1,747**	**1,777**

24. Financial income and expenses

The breakdown of financial income and expenses in fiscal FY 2015 is as follows:

euro 000's	Year 2016	Year 2015	Change
Income			
Interest income on current account	771	223	549
Foreign exchange gains	11,466	20,978	(9,512)
Other	1,135	410	725
Total income	**13,372**	**21,611**	**(8,239)**
Expenses			
Interest on medium-long term financing	(1,891)	(147)	(1,744)
Foreign exchange losses	(13,185)	(24,106)	10,921
Other	(6,932)	(4,358)	(2,574)
Total expenses	**(22,008)**	**(28,611)**	**6,604**
Total net income and expenses	**(8,636)**	**(7,001)**	**(1,635)**

Other financial expenses include, for 3,120 thousand euros, the unwinding impact occurred in the current year (Note 14) as a consequence of which, the negative fair value of the outstanding interest rate swaps designed for hedge accounting in connection with the long term loans signed by TOD'S S.p.A., has been reversed in profit and loss.

25. Income and expenses from subsidiaries

During the year, the Company didn't receive any dividends from subsidiaries.

It is highlighted that, as a consequence of the impairment test on equity investments of controlled entities, the Company written off the investment in the controlled entity TOD'S Brazil

Ltda for a total amount of 750 thousand euros and TOD'S Danmark APS for a total amount of 1,093 thousand euros (Note 7).

26. Income taxes

The tax liability for fiscal 2016 (current and deferred) was 25.3 million euros, giving a tax rate of 28.3% (FY 2015: 30.9%), Income taxes for the period are broken down into current and deferred taxes, as follows:

euro 000's	Year 16	Year 15	Change
Current taxes	34,795	42,295	(7,500)
Deferred taxes	(9,499)	(4,028)	(5,471)
Total	**25,296**	**38,267**	**(12,971)**

The theoretical tax rate for FY 2016 was 35.9%, determined by applying the applicable tax rates for IRES and IRAP (the impact of theoretical tax on pre-tax profit) to the respective taxable bases as documented by the annual report at December 31st, 2016. 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 000's	Taxes	Rate %
Theoretical income taxes	**32,122**	**35.9%**
Tax effects of non-deductible or partially deductible costs	1,150	1.3%
Non-deductible taxes	96	0.1%
Non-taxable income	(681)	(0.8%)
Other	(844)	(1.0%)
Previous year taxes	832	1.1%
"Patent box" tax effect	(7.379)	(8.3%)
Effective income taxes	**25,296**	**28.3%**

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 Authorities, 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. The agreement covers the fiscal years 2015-2019 and may be then renewed for additional five years. Thanks to the agreement, income taxes of the Parent company benefited of an economic contribution related to the years 2015 and 2016 for and amount equal to about 7.4 million euros.

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.

27. Earnings per share

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

i. **Reference profit.**

euro 000's For continuing operations	Year 16	Year 15
Profit used to determine basic earning per share	64,180	85,663
Dilution effects		
Profit used to determine diluted earning per share	**64,180**	**85,663**

euro 000's For continuing operations	Year 16	Year 15
Net profit of the year	64,180	85,663
Income (loss) from discontinued operations		
Profit used to determine basic earning per share	**64,180**	**85,663**
Dilution effects		
Profit used to determine diluted earning per share	**64,180**	**85,663**

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

ii. Reference number of shares.

	Year 16	Year 15
Weighted average number of shares to determine basic earning per share	32,916,587	30,609,401
Share Options		
Weighted average number of shares to determine diluted earning per share	32,916,587	30,609,401

iii. Base earnings per share. The weighted average number of shares used for the earning per share computation at December 31st, 2016 consider the number of shares increase occurred on January 27th, 2016 as a consequence of the capital increase resolved by TOD'S S.p.A. shareholder's meeting held on January 13th, 2016 (Note 16).

Profit of the Group attributable to the owners of ordinary shares of the Company amounts to 64,180 thousand euros (year 2015: 85,663 thousand euros).

iv. Diluted earnings per share. Calculation of the diluted earnings per share for the period January-December 2016 coincides with calculation of base earnings per share, due to the fact that there are no items which produce dilution effects.

28. 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). Without prejudice to the principles of procedural fairness cited hereinabove, no unusual related party transactions, or other related party transactions that might compromise corporate assets or the completeness and fairness of company accounting and other information were executed during the financial year. 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

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

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

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

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

Through the abovementioned transaction, the TOD'S Group obtained the permanent title to the ROGER VIVIER brand, thus eliminating the uncertainties arising from any licence agreement. In financial terms, the capital increase reduced the acquisition's impact on the Group's financial position.

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

Related party transactions pending at December 31st, 2016

In continuation of contractual relationships already existing in 2015, the Company continued to maintain a series of contractual relationship with related parties (directors/controlling or significant shareholders) in 2016. 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 Products	Rendering of services	Sales of assets	Royalties	Operating leases	Other operations
Year 2016						
Parent Company (*)	7,635	4			5	
Directors						
Executives with strat. resp.						
Other related parties						
Total	**7,635**	**4**	**-**	**-**	**5**	**-**
Year 2015						
Parent Company (*)	13,206	6				1
Directors						
Executives with strat. resp.						
Other related parties						
Total	**13,206**	**6**	**-**	**-**	**-**	**1**

ii. Commercial transactions with related parties – Costs

euro 000's	Purchases of products	Rendering of services	Purchases of assets	Royalties	Operating leases	Other operations
Year 2016						
Parent Company (*)	272	435			3,740	192
Directors						
Executives with strat. resp.						
Other related parties						
Total	**272**	**435**	**-**	**-**	**3,740**	**192**
Year 2015						
Parent Company (*)	761	157		11,839	3,716	17
Directors						
Executives with strat. resp.						
Other related parties						
Total	**761**	**157**	**-**	**11,839**	**3,716**	**17**

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

iii. Commercial transactions with related parties – Receivables and payables

Receivables and payables	12.31.16		12.31.15	
euro 000's	Receivables	Payables	Receivables	Payables
Parent Company (*)	2,095	252	4,265	5,760
Directors				
Exec. with strat. respons.				
Total	**2,095**	**252**	**4,265**	**5,760**

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

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

Compensation of Directors, Statutory Auditors, and General Managers

The following table illustrates the compensation accrued in fiscal 2016 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 (*)	1,832.1	9.0				
Andrea Della Valle (**)	1,231.8	8.7				
Luigi Abete	30.9	8.1				
Maurizio Boscarato	32.1	9.9				220.0 [2]
Luigi Cambri	32.1	9.9				9.0 [4]
Luca C. di Montezemolo (******)	1.8					
Sveva Dalmasso	32.1	8.4				
Emanuele Della Valle	30.6					
Romina Guglielmetti	32.1	17.7				
Emilio Macellari (****)	247.1	9.0				480.0 [2]
Vincenzo Manes	31.2	16.2				
Cinzia Oglio	32.1		2.9	35.4	147.6	
Pierfrancesco Saviotti	31.2	7.8				
Michele Scannavini	32.1					97.5 [2]
Stefano Sincini (***)	448.1	9.0	3.6	2.0	516.2	111.0 [1]
Total	**4,077.4**	**113.7**	**6.5**	**37.4**	**663.8**	**917.5**
Statutory Auditors						
Giulia Pusterla (*****)	90.0					
Enrico Colombo	60.0					47.9 [3] [4]
Fabrizio Redaelli	60.0					
Total	**210.0**					**47.9**
Executives with strategic responsibilities		9.0	6.7	63.0	909.7	126.0 [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
(******) Luca Cordero di Montezemolo resigned on January 22nd, 2016

(1) Director of subsidiary
(2) Consultant TOD'S S.p.A.
(3) Statutory Auditor of subsidiary
(4) Member of Compliance Program Supervisory Board
(4) Includes 200 thousand euros for one time extraordinary compensation

The table reported above includes the amount of value that accrued in the year for the option relating to the Phantom Stock Option Plan, which was approved by the Shareholders' Meeting of TOD'S S.p.A. on April 20th, 2016 and which was reserved for the CEO Stefano Sincini, as medium-to long-term incentive benefit, concerning a payment to be settled in cash, following the approval of the 2018 financial statements, to be calculated on the price of TOD'S shares with a strike price set at 121.4 euros.

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 2016:

euro 000's		12.31.16			12.31.15		
	N° Companies	Receivables	Payables	Net Revenues/ (cost)	Receivables	Payables	Net Revenues/ (cost)
Italy	5	16,485	18,547	32,953	16,193	692	50,070
Albania	1		160	(1,767)		550	(1,833)
Austria	1	998		2,703	967		2,704
France	3	7,466	1,496	14,158	6,714	2,618	13,362
Germany	1	3,788	555	9,546	2,756	568	11,329
Great Britain	3	5,300	312	16,384	5,119	649	18,765
Denmark	1	146	7	287	211	5	997
Netherlands	2	1,331	12	5,519	1,496	7	5,419
Switzerland	2	3,503	17	11,558	4,501	7	13,092
Spain	1	772	55	4,046	2,477	80	5,575
Hungary	1	3	726	(1,263)		848	(1,840)
Belgium	1	62	6	369	266	52	897
Usa	13	8,440	2,220	23,253	8,964	2,629	29,724
Japan	2	187	364	375	266	6	663
Hong Kong	2	16,562	1,664	72,857	29,789	1,021	96,898
Singapore	2	29	1	82	25	1	165
Korea	2	9,112	184	22,893	4,647	1	15,428
Macao	2	11		70	11		78
China	2	24,919	7,312	26,262	42,123	9,944	45,862
Brazil	1	85	616	35	25	237	719
India	1	125	4	29	158	2	72
Total	**49**	**99,324**	**34,260**	**240,351**	**126,710**	**19,915**	**308,145**

The receivables and payables recognised by the Italian companies include the receivables and payables resulting from the tax consolidation programme, totalling 7 thousand euros and 8,318 thousand euros, respectively.

Following below are the details of the financial and capital transactions:

euro 000's	Financing	
	12.31.16	12.31.15
PARTECIPAZIONI INTERNAZIONALI S.r.l.	45,000	1,400
Total	**45,000**	**1,400**

29. Events and significant non-recurring transactions

During the year 2016 the following non-recurring transactions occurred, which negatively impacted the profit for the period for 8.5 million euros net of the related tax effect. In details, such non-recurring transactions relate to:

- the economic indemnity for 25 million euros paid by Gousson Consultadoria e Marketing S.r.l. to TOD'S S.p.A. on January 27th, 2016 within the transaction related to the acquisition of ROGER VIVIER brand (Note 28);
- an extraordinary complete write-off of part of the non-current seasons stock for 9.5 million euros, together with the extraordinary posting of a return reserve related to ROGER VIVIER products for 26.3 million euros, due to the redefinition of the distribution strategies mainly as a consequence of the ROGER VIVIER brand acquisition.

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

30. Independent Auditors compensation

Pursuant to Article 149-*duodecies* of the Issuers Regulation, the compensation received in FY 2016 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.	140
Other services	PricewaterhouseCoopers S.p.a.	TOD'S S.p.A.	5
Auditing services	PricewaterhouseCoopers S.p.a.	Subsidiaries	32
Totale PricewaterhouseCoopers S.p.a.			**177**
Auditing services	PricewaterhouseCoopers (Network)	Subsidiaries	148
Other services	PricewaterhouseCoopers (Network)	TOD'S S.p.A.	169
Other services	PricewaterhouseCoopers (Network)	Subsidiaries	154
Totale PricewaterhouseCoopers (Network)			**470**

31. 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.

32. Significant events occurring after the end of the fiscal year

No significant events occurred after the end of the year.

33. 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 Stefano Sincini, Chief Executive Officer of TOD'S S.p.A., and Rodolfo Ubaldi, manager responsible for the drawing up of the financial reports of TOD'S S.p.A., certify, in accordance with the provisions of Article 154-bis, subsections 3 and 4, of Legislative Decree no. 58 of February 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, 2016 to December 31st, 2016.

2. They also certify that the Separate Financial Statements and Consolidated Financial Statements:

a) 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;

b) correspond with the account books and ledger entries;

c) give a true and fair view of the assets, liabilities, income and financial position of the issuer and entities included in the scope of consolidation.

3. 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.

Milan, March 14th, 2017

Stefano Sincini
Chief Executive Officer

Rodolfo Ubaldi
Manager responsible for the drawing up of the financial reports