TOD'S s.p.a.

2015 Annual Report

(Translation of the 2015 Annual Report approved in Italian solely for the convenience of international readers)

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Company's data

Registered office

TOD'S S.p.A.

Via Filippo Della Valle, 1

63811 Sant'Elpidio a Mare (Fermo) - Italy

Tel. +39 0734 8661

Legal data Parent company

Share capital resolved euro 66,187,078 (1)

Share capital subscribed and paid euro 66,187,078 (1)

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

(1) The share capital changed from 61,218,802 to 66,187,078 following the total subscription and payment of the capital increase by Gousson - Consultadoria e Marketing S.r.l., resolved by the extraordinary shareholders' meeting of TOD'S on January 13th, 2016, and reserved for same Gousson - Consultadoria e Marketing S.r.l., occurred on January 27th, 2016.

Corporate Governance bodies

Board of directors [1]	Diego Della Valle	Chairman
	Andrea Della Valle	Vice - Chairman
	Luigi Abete	
	Maurizio Boscarato	
	Luigi Cambri	
	Luca Cordero di Montezemolo [4]	
	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 [2] **Auditors**	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: 2013-2015 (resolution of the Shareholders' meeting as of April 19th, 2013)
[3] Term of the office: 2012-2020 (resolution of the Shareholders' meeting as of April 19th, 2012)
[4] Luca Cordero di Montezemolo resigned on January 22nd, 2016.

TOD'S Group

TOD'S S.p.A.
Parent Company, owner of TOD'S, HOGAN, FAY and ROGER VIVIER brands

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 Luxembourg S.A.
Not operating company

TOD'S Japan KK
Company that operates DOS in Japan

TOD'S Macao Ltd
Company that operates DOS in Macao

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

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

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

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

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

TOD'S UK Ltd
Company that distributes and promotes products in Great Britain and 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. (formerly Partecipazioni Internazionali S.r.l.)
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

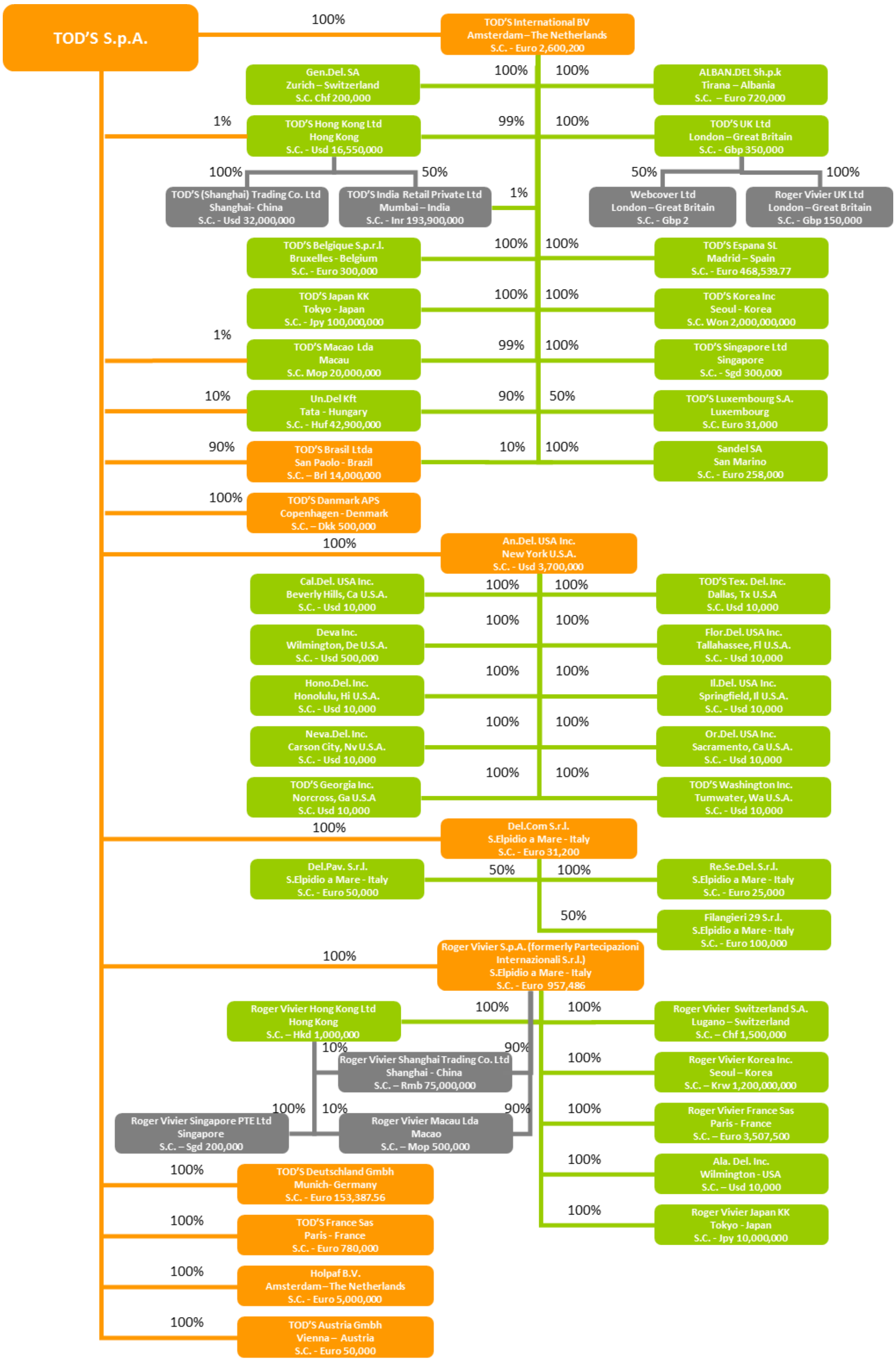
TOD'S Danmark APS
Company that operates DOS in Denmark

TOD'S Austria GMBH
Company that operates DOS in Austria

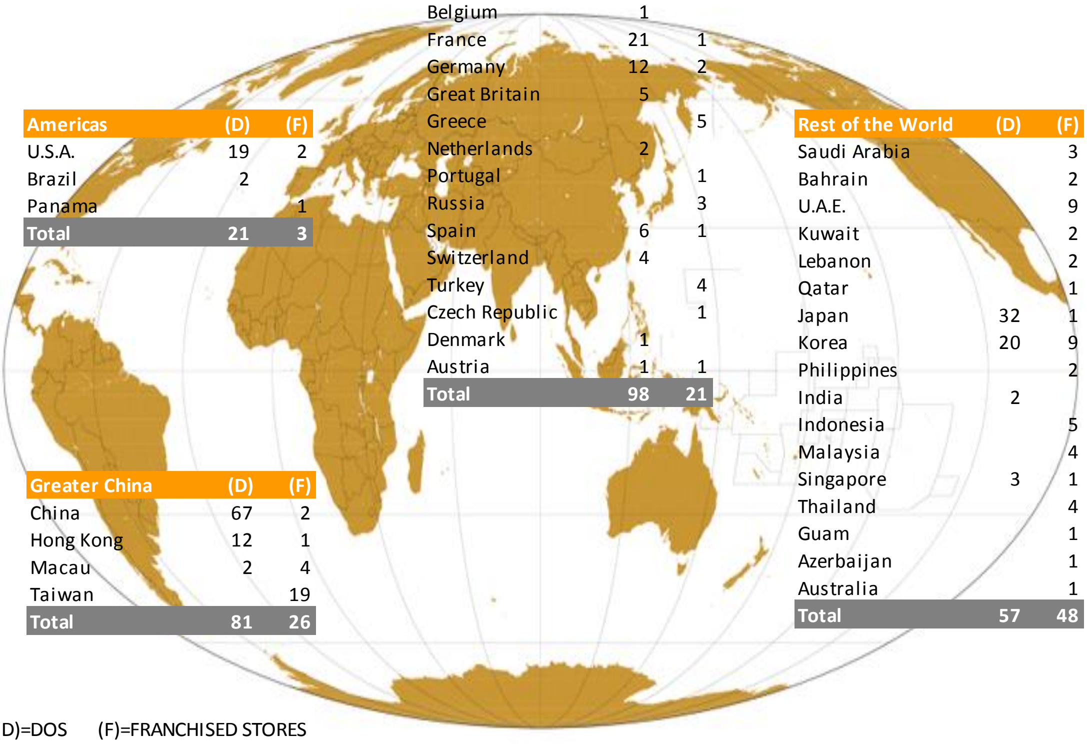
TOD'S Washington Inc.
Company that operates DOS in Washington (USA)

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

Group's organizational chart



Distribution network as of December 31st, 2015



Europe	(D)	(F)
Italy	45	2
Belgium	1	
France	21	1
Germany	12	2
Great Britain	5	
Greece		5
Netherlands	2	
Portugal		1
Russia		3
Spain	6	1
Switzerland	4	
Turkey		4
Czech Republic		1
Denmark	1	
Austria	1	1
Total	98	21

Americas	(D)	(F)
U.S.A.	19	2
Brazil	2	
Panama		1
Total	21	3

Greater China	(D)	(F)
China	67	2
Hong Kong	12	1
Macau	2	4
Taiwan		19
Total	81	26

Rest of the World	(D)	(F)
Saudi Arabia		3
Bahrain		2
U.A.E.		9
Kuwait		2
Lebanon		2
Qatar		1
Japan	32	1
Korea	20	9
Philippines		2
India	2	
Indonesia		5
Malaysia		4
Singapore	3	1
Thailand		4
Guam		1
Azerbaijan		1
Australia		1
Total	57	48

(D)=DOS (F)=FRANCHISED STORES

DOS, 2015 new openings

Italy

Monza	(Italy)
Forte dei Marmi	(Italy)

Europe

Paris	(France)
Paris	(France)
Paris	(France)
Copenhagen	(Denmark)
Geneve	(Switzerland)
Munich	(Germany)
Parndorf	(Austria)
Madrid	(Spain)

Greater China

Chongqing	(China)
Chongqing	(China)
Zhengzhou	(China)
Shanghai	(China)
Beijing	(China)
Wuqing	(China)
Hong Kong	(Hong Kong)
Macau	(Macau)

Americas

Atlanta	(USA)
Houston	(USA)
Seattle	(USA)
Livermore	(USA)
Sunrise	(USA)

Rest of the World

Gimpo	(Korea)
Seoul	(Korea)
Seoul	(Korea)
Seoul	(Korea)
Tokyo	(Japan)
Tokyo	(Japan)
Mumbai	(India)
Nagoya	(Japan)

Franchised stores, 2015 new openings

Greater China

Sanya Haitang Bay	(China)
Macau	(Macau)
Macau	(Macau)

Europe

Mannheim	(Germany)
Salzburg	(Austria)
Instanbul	(Turkey)

Americas

Panama	(Panama)

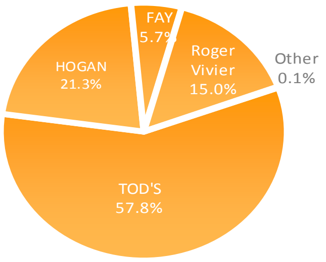
Rest of the World

Jeju	(Korea)
Jeju	(Korea)
Al Khobar	(Saudi Arabia)
Kuala Lumpur	(Malaysia)

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

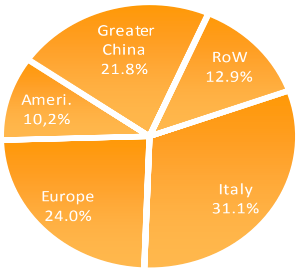
2015 Revenues - % by brand



P&L key figures (euro mn)

	FY 15		FY 14		FY 13	
Revenues	1,037.0		965.5		967.5	
EBITDA	202.6	19.5%	193.5	20.0%	236.3	24.4%
EBIT	148.6	14.3%	148.2	15.3%	193.2	20.0%
Profit before tax	137.3	13.2%	144.4	15.0%	191.2	19.8%
Profit for the period	92.1	8.9%	96.8	10.0%	134.0	13.9%

2015 Revenues - % by region

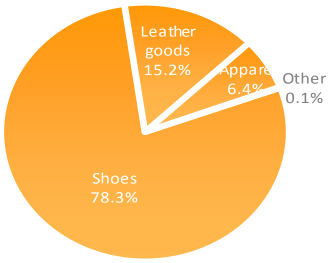


Main Balance Sheet indicators (euro mn)

	Dec. 31st ,15	Dec. 31st, 14	Dec. 31st, 13
Net working capital (*)	316.1	266.3	224.1
Net fixed capital	417.3	411.4	388.7
Shareholders' equity	866.1	814.6	801.1
Net financial position	134.2	130.0	181.1
Capital expenditures	47.9	64.5	51.4

(*) Trade receivable + inventories - trade payables

2015 Revenues - % by product

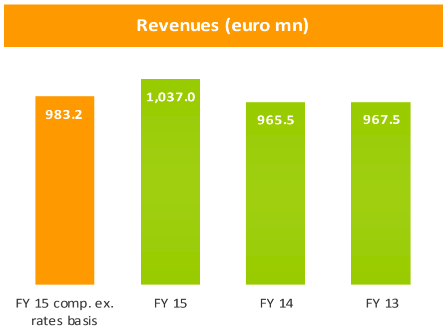


Financial key indicators (euro mn)

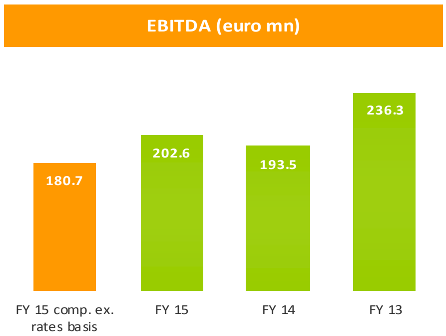
	Dec. 31st, 15	Dec. 31st, 14	Dec. 31st, 13
Free cash flow	49.1	(52.1)	65.8
Self financing	145.4	141.1	172.9
Cash flow operativo	108.9	90.4	206.9

Highlights of results

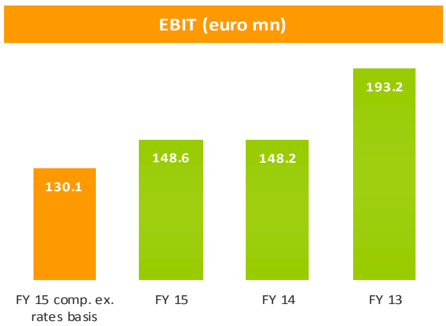
Revenues: 2015 revenues of 1,037 million euros, increased by 7.4% in respect to 2014. The DOS network had sales of 658.4 million euros (+6.9%).



EBITDA: this totalled 202.6 million euros (193.5 million euros in 2014). The ratio of EBITDA to sales is 19.5%.

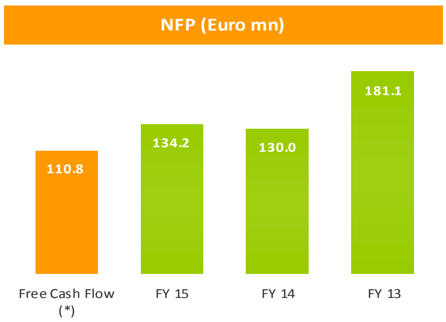


EBIT: this totalled 148.6 million euros (148.2 million euros in 2014), The ratio of EBITDA to sales is 14.3%.



Net profit: consolidated net profit for FY 2015 was 92.1 million euros, representing 8.9% of consolidated sales.

Net financial position (NFP): the Group had 217.8 million euros in liquid assets at December 31st, 2015 (165.9 million euros in 2014). The net financial position at the same date was 134.2 million euros (130 million euros in 2014).



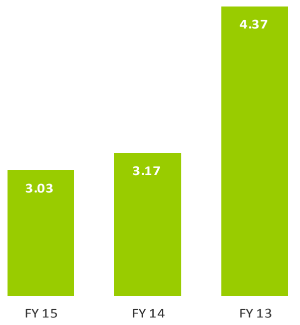
(*) gross of dividends

Capital expenditure: amount to 47.9 million euros capital expenditures occurred in 2015, were 64.5 million euros in 2014.

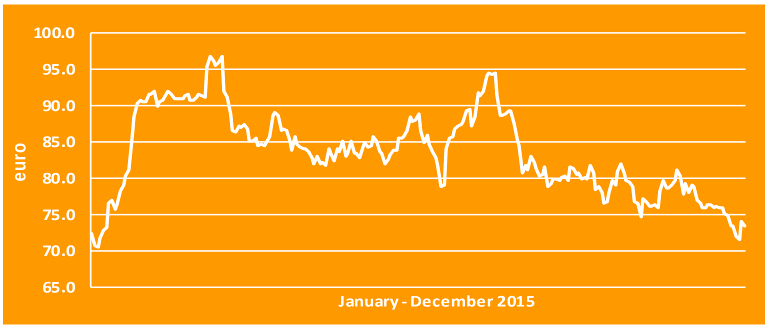
Distribution network: a total of 31 new DOS were opened during the financial year. At December 31st, 2015 the single brand distribution network comprised 257 DOS and 98 *franchised stores*.

Main stock Market indicators (euro)	
Official price at 01.02.2015	72.36
Official price at 12.30.2015	73.44
Minimum price	68.75
Maximum price	98.00
Market capitalization at 01.02.2015	2,214,770,146
Market capitalization at 12.30.2015	2,248,048,992
Dividend per share 2014	2.00
Dividend per share 2013	2.70
Number of outstanding shares at December 31st, 2015	30,609,401

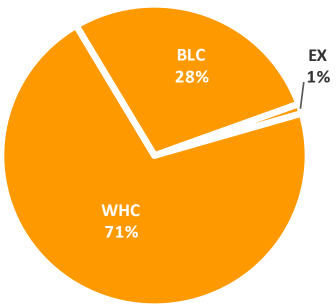
Earning per share (euro)



Stock performance



2015 Group's employees



The Group's employees

	FY 15	FY 14	FY 13	FY 12
Year to date	4,550	4,297	4,144	3,878
Average	4,464	4,034	4,035	3,765

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

TOD'S Group - IAS/IFRS Annual Report as of December 31st, 2015

TOD'S Group

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, 2015, 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 2015 financial year, the typical economic reference indicators (Revenues, EBITDA, and EBIT) have been recalculated by applying the average exchange rates for 2014, 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. 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 that owns

TOD'S, HOGAN, FAY and ROGER VIVIER brands, the latter, as already said, under license agreement up to December 31st, 2015, and manages the Group's production and distribution. 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.
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 of key importance to the Group.

Group's brands

The TOD'S brand is known for shoes and luxury leather goods, with styles that have became 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.

Roger Vivier
PARIS

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 2015, 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 have characterised TOD'S commitment to social responsibility, particularly in regard to what it actually accomplished in 2015.

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 taken in 2015, which 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, 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 cafeteria, the auditorium and the multimedia library, a Welfare project has been started since 2012, to respond to the primary needs of the entire family; in 2015 this project also entailed a number of initiatives to provide economic support to the families of the Group's Italian employees.

The scope of these actions also include the annual financial contribution of Euro 1,400, 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 and dentistry, as well as that relating to diagnostic and prevention services (such as specialist examinations, diagnostic tests and the prevention of children's diseases) for the entire family of the employee, with the aim of making an increasingly greater contribution to the enhancement of the quality of life of the Group's employees and their households.

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 2015. 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 2015 these actions focused in particular on developing and 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. Therefore, training activities focused on 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. Furthermore, the introduction of innovative automated cutting lines allowed, through specific training courses, the combination of craftsmanship and innovation,

thus developing new and exclusive skills of the professionals who contribute, with their talent, to the pursuit of increasingly higher process and products quality standards.
Within this project, it was also possible to combine the development of professional skills and the opportunity to create value at local level, thus enhancing talented young people. Some of the professionals involved in this training path were selected within the "Fabbrica del Talento" (Talent Factory) project, which was proposed once again in 2015 and within which fifteen young people were given the possibility to receive six months of training, aimed at training future craftsmen. The impact of this initiative was largely positive: it ended with TOD'S S.p.A. recruitment of most of the participants in the course of the year.
Again within the development of the professional skills involved in the production process, in 2015 training courses were also made 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.
The persons in the positions involved in the selling process, such as store managers, assistant store managers and sales assistants, also attended specific training sessions in order to develop the social skills necessary 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, in order to lead customers positively 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 2015, 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.
Furthermore, collaboration continued with institutions such as the Bocconi University in Milan and the Istituto Adriano Olivetti in Ancona (ISTAO), for the conception of training programmes of mutual interest.

Contribution to the Italian economic system

The TOD'S Group confirmed its commitment to support our country's needs in 2015 too: in fact, the Shareholders' Meeting, called to allocate the 2014 Group net profit, confirmed, in line with the previous year, to allocate 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. In this way the Group continued to provide economic support to a series of 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 2015 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 new 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.

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 Euro 25 million. This initiative was undertaken to confirm the Group's desire to protect and promote Italian culture, but was also inspired by the certainty that investing in "Made in Italy" products, in the skills, traditions and culture of Italy was the best way to make it more competitive. In 2015 the project saw further progress of work on the first of the four planned phases of activities. This first phase involves restoration of the north façade and south façade of the Colosseum, and the installation of gates around the perimeter of the first tier of the building, which will be completed in the first half of 2016.

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, as Permanent Founding Member of the Teatro alla Scala Foundation, and the Padiglione di Arte Contemporanea (PAC – Contemporary Art Pavilion) in Milan, which TOD'S uses to present its own collections. On the other hand, 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 place with the Municipality of Milan in support of the PAC's activity, in 2015 TOD'S also implemented and promoted, in the capacity of technical sponsor, an important photographic exhibition dedicated to one of the founding fathers of contemporary photography, David Bailey; the related proceeds 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 actions in favour of minors who are more fragile than others.

Finally, the TOD'S Group continued to lease spaces of *Villa Necchi* in Milan for the presentation of its collections in 2015. By doing so, it confirmed 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, although its own activities have a limited direct environmental impact. One of the Group's stated priorities is to reduce the consumption of energy at its production and commercial facilities. In 2015 the Parent Company TOD’S S.p.A. carried out an energy audit, in addition to the energy efficiency actions required by Legislative Decree 102/2014, which was extended to all the Group-owned production and logistic sites, in order to assess the efficiency of its entire energy management systems in a precise and documented manner. This assessment allowed the performance of precise analyses of its consumption of electricity and fuels and the definition of a plan of efficiency improvement actions to be taken in the near future in line with the measures already adopted.
In fact, continuing the work already done in previous years, TOD'S created and implemented programmes to reduce its energy consumption in 2015 too, by using new resources to “compress” its environmental impact.
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. As early as in 2014 measures to raise energy performance were also adopted in the Montecosaro and Tolentino factories in the Marche Region: the roofs were changed and this improved insulation, with benefits in terms of the reduction of consumption and consequent emissions.
These planning criteria were fully implemented in the construction of the new building erected at the Italian headquarters. This new building has a covered space measuring about 10,500 square metres on several levels. Its structure and plant reflect 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 and geothermal plants for heating and cooling the building, recovery of rainwater, and lighting with new LED technologies). The “motor equipment” are equipped with inverter technology (previously experimented on production lines). This makes it possible to modulate the function of these devices according to real needs, and thus permitting further reductions in energy consumption.
To improve the energy efficiency of 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 period

The global market of luxury goods was characterized, in the year just ending, by a complex macro-economic situation, marked by economic and geopolitical uncertainty in many parts of the world. This uncertain situation, together with a considerable currency market volatility, generated erratic and unpredictable market performances of international markets, thus causing trends that changed even suddenly. These trends, which generated profound imbalances between European and extra-European markets, also affected the tourist macro-flows of international shoppers, and especially those from the Greater China area. Tourists from the latter area prefer, at present, a more international form of shopping linked to tourism, to the detriment of domestic market consumption, which still shows an evident decline that continues to affect the results of all the main players in the sector.

In this situation, the Group reported a good performance, in the financial year just ended, which recorded an increase of 7.4%, at current rates, compared to the previous year. There were positive performances in all geographic areas, even at constant exchange rates, with the exception of the Greater China, as a result of the abovementioned fall in domestic consumption.

Even thanks to both the contribution of tourist flows, which has already been mentioned, and the favourable currency trends, there was substantial growth in Europe, Americas and South-East Asia, noting, in the latter area, the excellent performance recorded in Japan and South Korea.

As regards the brands, HOGAN continued to grow in international markets, to which the brand expansion strategy is addressed at present: in the foreign markets in which the brand is present, sales recorded double-digit growth rates as a whole compared to 2014.
Still as regards brands, the performances of the ROGER VIVIER brand were confirmed as excellent. At current rates, revenues rose by 22.9%, confirming the brand's great appeal to international customers, a brand which has become one of the icons in the most exclusive luxury sector. In this regard, it should be pointed out that on January 27th, 2016 the Group completed the acquisition of the ROGER VIVIER brand, which was previously managed under a licence agreement. This transaction had a high strategic value to the TOD'S Group, given the positioning of the brand on the top of the luxury sector and the consequent complementarity with the other brands of the Group, with a range of products (footwear, leather goods and accessories) targeted at the most sophisticated customers. At the same time the acquisition will give the Group full control over the brand's long-term planning, so that it can improve the forecasted results and fully incorporate both its growth potential and its enhancement and value.
As regards business development, the TOD'S Group continued to implement its strategy of expanding its DOS network, which is fundamental for medium-term growth, with the opening of thirty-one new DOS in the year just ended. Among these we mention the inauguration of the first directly-operated store in Denmark and the openings of new TOD'S boutiques in Houston, Atlanta and Seattle, which are major cities for the US market, in which the Group has not been present up to now. As regards investments, it should be noted that work continued on the construction of the new building in the area in which the Group's headquarters are located, which will be mainly dedicated to host some important industrial activities. On the other hand, in order to support the present and future development of investments connected with the Group's growth, the parent company TOD'S S.p.A. entered into, in 2015, two 4-year term loan agreements with two major banks, for a total amount of 50 million euros, thus seizing the opportunity of extremely low market interest rates and particularly favourable credit access conditions for the Company.
Again with a view to business development, in 2015 the Group continued to expand its e-commerce channel, starting, in cooperation with the industrial partner that had been selected for the online marketing of all the brands, the distribution of its products on the market of mainland China, in addition to the already active markets in Italy, the United States and the main European countries.

The Group's results in 2015

Consolidated sales were 1,037 million euros, increased by 7.4% in respect to 2014 turnover when it was 965.5 million euros. The impact of currency fluctuations was positive: at constant exchange rates, sales revenue would have been 983.2 million euros, showing a growth of +1.8% in respect to 2014. Operating margins, EBITDA and EBIT, were 202.6 million euros and 148.6 million euros respectively (while at a constant exchange rate would have been 180.7 and 130.1 million euros). Consolidated net profit was 92.1 million euros, decreased by 4.7 million euros in respect to 96.8 million euros of the previous year 2014.

euro 000's Main economic indicators	Year 15	Year 14	Change	%
Sales Revenues	1,036,959	965,532	71,427	7.4
EBITDA	202,618	193,547	9,071	4.7
Deprec., amort., write-downs and advances	(54,050)	(45,368)	(8,682)	19.1
EBIT	148,567	148,179	388	0.3
Profit before taxes	137,270	144,380	(7,109)	(4.9)
Profit for the period	92,088	96,761	(4,673)	(4.8)
Foreign exchange impact on revenues	(53,730)			
Adjusted Sales Revenues	983,230	965,532	17,698	1.8
Foreign exchange impact on operating costs	31,828			
Adjusted EBITDA	180,716	193,547	(12,831)	(6.6)
Foreign exchange impact on deprec.& amort.	3,459			
Adjusted EBIT	130,124	148,179	(18,054)	(12.2)
EBITDA %	19.5	20.0		
EBIT %	14.3	15.3		
Adjusted EBITDA %	18.4	20.0		
Adjusted EBIT %	13.2	15.3		
Tax Rate %	32.9	33.0		

euro 000's Main Balance Sheet Indicators	12.31.15	12.31.14	Change
Net working capital (*)	316,085	266,310	49,775
Intangible and tangible fixed assets	417,295	411,379	5,916
Other current assets/liabilities	(1,535)	6,907	(8,442)
Net assets held for sale			
Invested capital	**731,845**	**684,596**	**47,249**
Net financial position	134,236	130,013	4,223
Shareholders' equity	**866,081**	**814,609**	**51,472**
Capital expenditures	47,928	64,457	(16,529)
Cash flow from operations	108,894	90,411	18,483
Free cash flow	49,102	(52,140)	101,242

(*) Trade receivable + inventories - trade payables

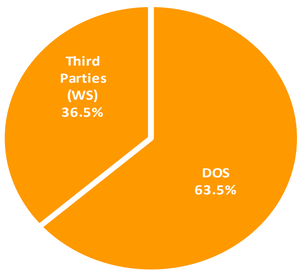
Revenues. Consolidated sales were 1,037.0 million euros in FY 2015, up 7.4% from FY 2014.

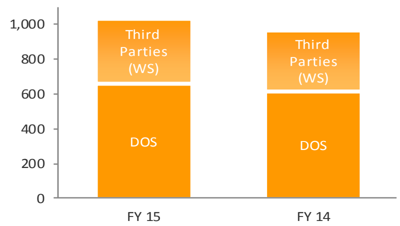
In Q4 2015, sales totalled 250.1 million euros, up 11.4% from Q4 2014, thus showing a visible acceleration from the 9 month performance, which is even more noteworthy if considering the challenging market environment. At reported rates, all the brands, product categories, regions (excepted Hong Kong) and distribution channels registered positive performances.

At constant exchange rates, meaning by using FY 2014 average exchange rates, including the related effects of hedging derivatives, sales would have been 983.2 million euros (+1.8% from the previous year).

Sales through DOS globally totalled 658.4 million Euros, up 6.9% from FY 2014 and represent 63.5% of consolidated revenues as of December 31st, 2015. The Same Store Sales Growth (SSSG) rate, calculated as the worldwide average of sales growth rates at constant exchange rates registered by the DOS already existing as of January 1st, 2014, is -6.0% in the year. After a good performance in October, November was impacted by the tragic events in Paris, but the situation normalized in the last weeks of the year.

(euro mn)	FY 15	%	FY 14	%	% current exch. rates	% constant exch. rates
DOS	658.4	63.5	616.0	63.8	6.9	(0.2)
Third Parties (WS)	378.6	36.5	349.5	36.2	8.3	5.5
Total	**1,037.0**	**100.0**	**965.5**	**100.0**	**7.4**	**1.8**



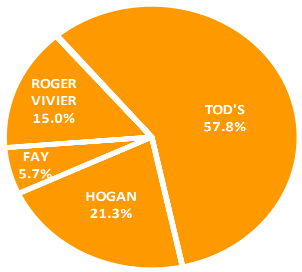


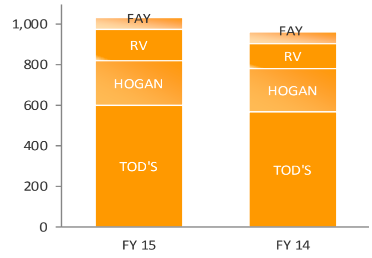
At reported rates, the SSSG figure is visibly positive, instead. As of December 31st, 2015 the Group's distribution network was composed of 257 DOS and 98 franchised stores, compared to 232 DOS and 93 franchised stores as of December 31st, 2014. Revenues to third parties totaled 378.6 million euros, up 8.3% from FY 2014 (+28.7% in Q4 2015).

The TOD'S brand totalled 599.0 million euros in sales in FY 2015, up 5.5% from the previous year, with an acceleration in the fourth quarter. The brand registered good results in all the regions, with the only exception of Greater China, which was slightly negative. Positive results for all the product categories; confirmed the excellent reception from customers for the new collections of handbags.

The HOGAN brand registered 221.4 million euros as turnover, up 4.2% from FY 2014 (+9.2% in Q4). The brand registered positive results in all the regions, where it's distributed. The FAY brand totalled 59.4 million euros in sales, up 3.7% from FY 2014, with a visible acceleration in Q4 (+20%). Particularly positive results were obtained in "Rest of the World", where the brand is starting to expand. Finally, Roger Vivier registered 156.0 million Euros as turnover, up 22.9% from FY 2014 (+30.8% in Q4). Very positive results were obtained on all geographical areas; the brand is continuing its selective expansion abroad, consistently with its exclusive positioning.

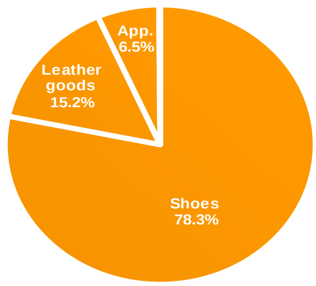
(euro mn)	FY 15	%	FY 14	%	% current exch. rates	% constant exch. rates
TOD'S	599.0	57.8	568.0	58.9	5.5	(1.0)
HOGAN	221.4	21.3	212.3	22.0	4.2	2.8
FAY	59.4	5.7	57.3	5.9	3.7	3.5
ROGER VIVIER	156.0	15.0	126.9	13.1	22.9	12.2
Other	1.2	0.1	1.0	0.1	16.4	9.6
Total	1,037.0	100.0	965.5	100.0	7.4	1.8

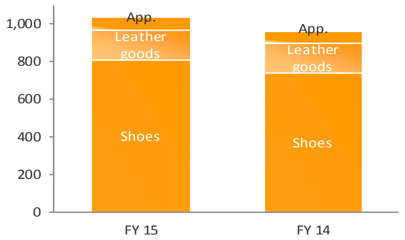




The Group confirmed its undisputed leadership in the core business of shoes. Sales of this product category totalled 811.7 million euros in the year, up 9.2% from FY 2014 (+12.9% in Q4 2015). Revenues of leather goods and accessories totalled 157.2 million euros, up 1.1% from FY 2014 (+3.1% in Q4 2015). Excellent results of the new collection of TOD'S handbags; we are confident to see this trend confirmed also in Spring Summer collections. Finally, sales

(euro mn)	FY 15	%	FY 14	%	% current exch. rates	% constant exch. rates
Shoes	811.7	78.3	743.5	77.0	9.2	3.3
Leather goods	157.2	15.2	155.6	16.1	1.1	(5.1)
Apparel	66.9	6.5	65.4	6.8	2.3	1.5
Other	1.2	0.1	1.0	0.1	16.9	10.2
Total	1,037.0	100.0	965.5	100.0	7.4	1.8

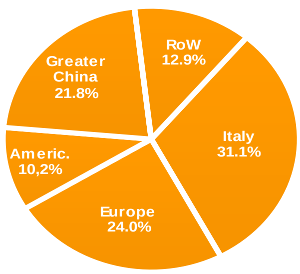


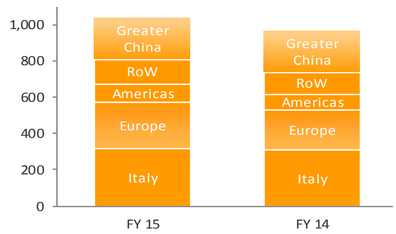


of apparel were 66.9 million euros, up 2.3% from FY 2014; this category broadly reflects the performance of the FAY brand.

Sales in Italy were 322.8 million euros, up 3.7% from FY 2014 (+11.1% in Q4 2015), with very strong results in both the distribution channels. In the rest of Europe, sales totalled 248.6 million euros, up 12.3% from FY 2014, mainly driven by France, Germany and UK.

(euro mn)	FY 15	%	FY 14	%	% current exch. rates	% constant exch. rates
Italy	322.8	31.1	311.1	32.2	3.7	3.7
Europe	248.6	24.0	221.3	22.9	12.3	9.4
Americas	105.6	10.2	87.3	9.0	21.0	5.3
Greater China	225.8	21.8	225.7	23.4	0.0	(12.0)
RoW	134.2	12.9	120.1	12.5	11.8	6.3
Total	1,037.0	100.0	965.5	100.0	7.4	1.8

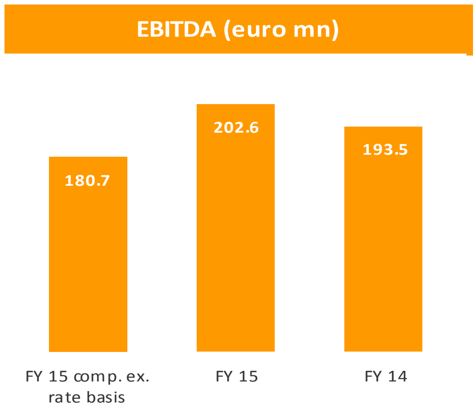




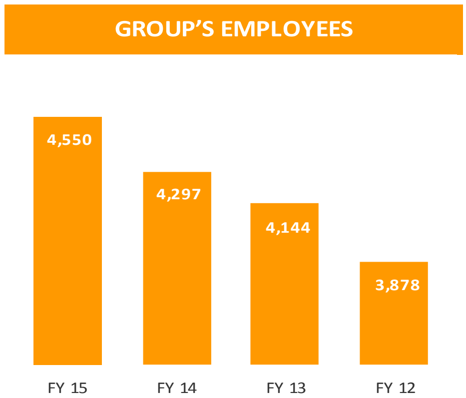
The Group's sales in the Americas totalled 105.6 million Euros, up 21.0% from FY 2014 (+25.5% in Q4 2015). Positive results in both the distribution channels. The Group's sales in Greater China were 225.8 million euros, broadly aligned with 2014 turnover. We are beginning to see tentative signs of improvement in mainland China, this positive trend is not yet visible in Hong Kong. Finally, in the area "Rest of the World" the Group's sales totalled 134.2 million euros, up 11.8% from FY 2014, driven by the outstanding results of Japan and Korea, which are maintaining their healthy growth trends.

Operating results. The Group EBITDA for the 2015 financial year amounted to 202.6 million euros (193.5 million euros in 2014), representing 19.5% of consolidated sales (20% in 2014).
At constant exchange rates, with the application of the average cross rates for the previous year, the EBITDA would have amounted to around 180.7 million euros.
Confirmed the excellent profitability at the gross margin level, which was the result of the well-established position of the Group's brands at the high end of the luxury brands sector, which is a confirmation of the ability to generate revenues in the product categories and geographical areas with higher margins. This result mitigated the impact of the operating costs increase as a consequence of the direct network expansion strategy.

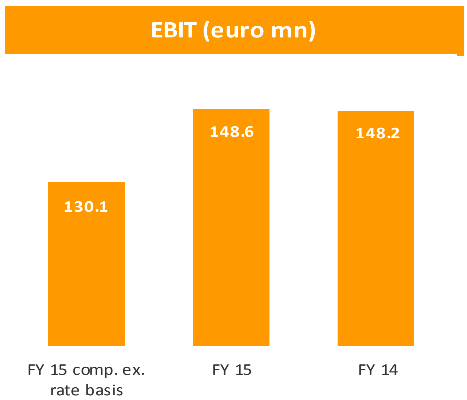
The costs of using third party assets (rents and royalties for the exploitation of the licences) amounted to 128.4 million euros, showing a growth of 18.7 million euros with respect to the same item in 2014 (equivalent to 109.7 million euros). The incidence on sales revenues increased from 11.4% in 2014 to 12.4% in the current financial year. This growth can be mainly attributed to the expansion in sales by the direct distribution network.



Increased even the personnel costs: the figure for the 2015 financial year amounted to 183.3 million euros as against 160.4 million in 2014, an increase of 22.9 million euros in absolute terms. These costs accounted for 17.7% of Group sales revenues, as against 16.6% in 2014. The main reason for the increase is the significant growth in personnel numbers, due to the expansion of the direct distribution network and the reinforcement of the operating functions at corporate level. On December 31st, 2015, the total Group workforce was 4,550 employees, an increase of 253 with respect to the figure at the beginning of the year (4,297).

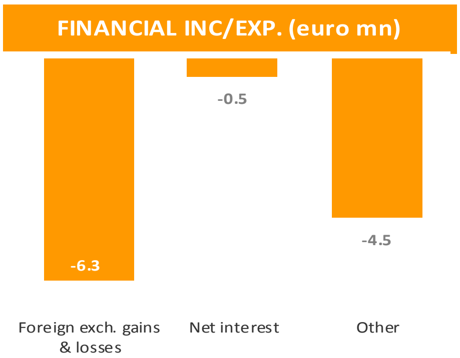


The costs of depreciation, amortisation and write downs of fixed assets in 2015 amounted to a total of 51.2 million euros, as against the 43.9 million euros of 2014. On December 31st, 2015 depreciation and amortisations accounted for 4.7% of Group sales revenues, a slight increase in respect to 2014 (4.3%). Net of further provisions amounting to a total of 2.8 million euros, the net operating result (EBIT) for the year therefore amounted to 148.6 million euros (as against 148.2 million euros in 2014), a slight increase for 0.4 million euros, and it represents 14.3% of consolidated sales (2014: 15.3%). At constant exchange rates, the EBIT for the

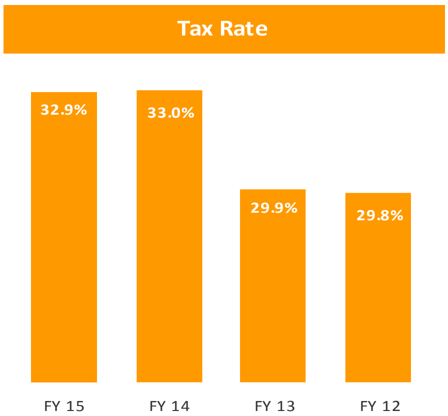


period would have been equivalent to 130.1 million euros.

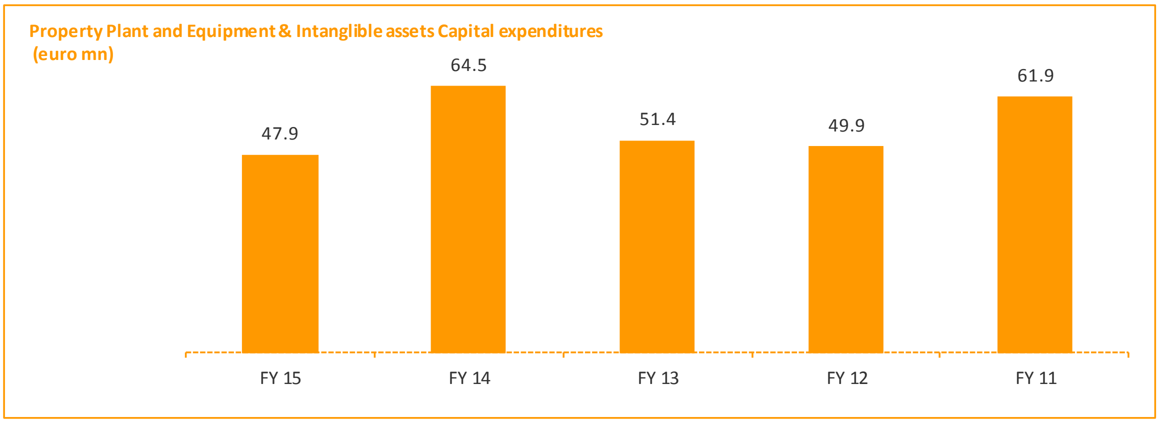
The financial income and charges balance has been negative for 11.3 million euros, significantly influenced by the devaluation between the euro and the main currencies with which the Group operates, intensifying the exchange rate effects related to transactions that are not subject to hedging strategies. These figures have been impacted even by the negative fair value of interest rate swaps for 2.1 million euros, which relates to the portion considered not effective under the hedge accounting in connection with the loan agreement for 400 million euros entered in 2014 (for further details please see Notes to the Consolidated Financial Statements).



Income taxes for the year amounted to Euro 45.2 million, including the effects of deferred tax, at a tax rate that came to 32.9%, in line with 2014 when it was 33%. The consolidated net profit for 2015 amounted to 92.1 million euros (2014: 96.8 million euros): this result represents 8.9% of the consolidated sales, as against 10% in the previous financial year.

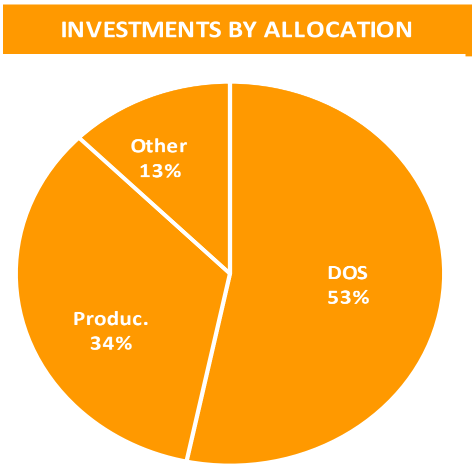


Capital expenditures. Capital expenditures in the 2015 financial year amounted to a total of 47.9 million euros, while the previous year 2014 were 64.5 million euros.



About 25.5 million euros (34 million euros at December 31st, 2014) were invested in fitting out the new DOS, among which the three American stores located in Atlanta, Seattle and Huston and in renovations of existing stores.

The remaining portion of the investments during the period, further to the normal processes of modernisation of facilities and industrial equipment (mainly lasts and moulds), were dedicated to both the construction, started last year, of the new industrial building located at the Group's headquarters area and to the development of Group's management systems (software).



Net financial position and cash flow. At December 31st, 2015 the net financial position posted a positive value of 134.2 million euros (130 million euros at December 31st, 2014). Cash and cash equivalents (cash and bank deposits) amounted to 217.8 million euros (165.9 million euros at December 31st, 2014). Financial liabilities include, among others, two loan agreements signed in 2015 by TOD'S S.p.A. with both BNL S.p.A. (BNP Paribas Group) and Intesa San Paolo S.p.A. respectively, for an amount of 25 million euros each, which will be reimbursed paying 16 quarterly instalments and in one single payment at the end of the fourth year.

euro 000's Net financial position	12.31.15	12.31.14	Change
Current financial assets			
Cash and cash equivalents	217,801	165,949	51,851
Cash	**217,801**	**165,949**	**51,851**
Current financial liabilities			
Current account overdraft	(13,737)	(10,988)	(2,749)
Current share of medium-long term financing	(10,084)	(4,650)	(5,435)
Current financial liabilities	**(23,822)**	**(15,638)**	**(8,183)**
Current net financial position	**193,979**	**150,311**	**43,668**
Non-current financial liabilities			
Financing	(59,743)	(20,298)	(39,444)
Non-current financial liabilities	**(59,743)**	**(20,298)**	**(39,444)**
Net financial position	**134,236**	**130,013**	**4,222**

Gross of distributed dividends (61.7 million euros), the NFP at December 31st, 2015 would amount to 195.9 million euros (+65.9 million euros compared to the value posted at the beginning of the year).

euro/000 Statement of cash flow	FY 15	FY 14
Profit/(Loss) for the period	**92,088**	**96,761**
Non-cash items	53,342	44,290
Cash flow	**145,431**	**141,051**
Change in current assets and liabilities	(36,537)	(50,640)
Cash Flow from operations	**108,894**	**90,411**
Cash Flow generated (used) in investing activities	(48,601)	(66,259)
Cash Flow generated (used) in financing activity	(18,984)	(86,227)
Cash Flow generated (used) from continuing operations	**41,310**	**(62,076)**
Translation differences	7,792	9,935
Cash Flow generated (used)	**49,102**	**(52,140)**
Net cash and cash equivalents at the beginning of the period	154,961	207,100
Net cash and cash equivalents at the end of the period	204,063	154,961
Change in net cash and cash equivalents	**49,102**	**(52,140)**

Cash Flow from operating activities posted a positive value of 108.9 million euros, improved in respect with last year when it was 90.4 million euros; increased the net working capital mainly due to the utilisation of the funds required to finance the temporary increase in the stocks of finished products for the coming spring-summer collection, which will impact on cash flow next year. Cash Flow from investing activities equals to 48.6 million euros in 2015 (66.3 million euros in 2014). Free cash flow for 2015 was positive for 49.1 million euros thanks to both the beneficial effects from the operating activities and mainly to the financial effects related to the two loan agreements already commented above.

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	12.31.15		12.31.14	
	Net Profit	Share equity	Net Profit	Share equity
Parent Company	**85,663**	**671,866**	**78,414**	**644,223**
Difference between book value of consolidated Companies and net equity method valutation	12,561	283,999	30,144	246,387
Goodwill from Business combination Parent Company		(13,685)		(13,685)
Goodwill from Business combination Group		12,232		12,232
Others (*)	(5,489)	(92,380)	(11,445)	(79,628)
Minority interest	(647)	4,048	(353)	5,078
Group	**92,088**	**866,081**	**96,761**	**814,609**

(*) 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.

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

At its meeting on March 14th 2016, 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 2015, 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, 2016, 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 2016 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 2015 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 20th, 2016, 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)

In 2015 the Group did not conclude highly significant transactions with related parties or related party transactions that had a material impact on the assets, liabilities or net income of the Group, and there were no modifications or developments in the transactions described in the 2014 Annual Report that had the same effects.

All information regarding existing relations with related parties in 2015 are set out in the supplementary notes. 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.

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.

Significant events occurred after the end of the period

In addition to the information reported in the previous paragraph, it should be noted that, on January 27th, 2016, TOD'S S.p.A. entered into a syndicated loan agreement with Crédite Agricole Corporate and Investment Bank and Cassa di Risparmio di Parma e Piacenza S.p.A. (Crédite

Agricole Group), whereby a medium/long-term revolving credit facility was granted, in a maximum amount of 100 million euros, in order to borrow the liquid funds needed to meet any possible requirement connected with ordinary sales and general corporate operations. This credit facility will be available for a period of 3 years and, as of today's date, it has not yet been used.

Business outlook

Despite the current market situation, the Group achieved good results in the financial year just ending. There is satisfaction with the positive results recorded by all the Group's brands, all over the world, except for Hong Kong only. With the presentation of the new collections for next winter, the product range, necessary to satisfy the demand of Group's customers, for both leather goods and especially shoes, it's deemed to be completed, as confirmed by the good start of orders collection. The effort for the brand image strengthening, linked to both Italian character and product quality values, appreciated by Group international customers, together with the strong attention paid to costs, the development of digital business and the appreciations of summer collection, now displayed in the stores, will allow to get good results even in the current year.

Approval of Financial Statement

The consolidated financial statements of the TOD'S Group were approved by the Board of Directors on March 14th, 2016.

Milan, March 14th, 2016

The Chairman of the Board of Directors
Diego Della Valle

Financial Statements

Consolidated Income Statement

euro 000's	Note	Year 15	Year 14
Revenues			
Sales revenues	24	1,036,959	965,532
Other income	24	11,437	10,476
Total revenues and income		**1,048,396**	**976,008**
Operating Costs			
Change in inventories of work in progress and finished goods		32,901	31,944
Cost of raw materials, supplies and materials for consumption		(287,443)	(278,912)
Costs for services		(246,759)	(231,436)
Costs of use of third party assets	19	(128,414)	(109,665)
Personnel costs	25	(183,302)	(160,386)
Other operating charges		(32,761)	(34,005)
Total operating costs		**(845,778)**	**(782,461)**
EBITDA		**202,618**	**193,547**
Amortisation, depreciation and write-downs			
Amortisation of intangible assets	7	(8,910)	(8,792)
Depreciation of tangible assets	8	(39,323)	(32,791)
Other adjustments	9	(2,997)	(2,339)
Total amortisation, depreciation and write-downs		**(51,230)**	**(43,922)**
Provisions	14-19	(2,820)	(1,447)
EBIT		**148,567**	**148,179**
Financial income and expenses			
Financial income	26	29,267	23,403
Financial expenses	26	(40,564)	(27,202)
Total financial income (expenses)		**(11,297)**	**(3,799)**
Income (losses) from equity investments			
Profit before taxes		**137,270**	**144,380**
Income taxes	11-27	(45,182)	(47,619)
Profit/(loss) for the period		**92,088**	**96,761**
Non-controlling interests		647	353
Profit/(loss) of the Group		**92,735**	**97,114**
EPS (in euro)	28	3.03	3.17
EPS diluted (in euro)	28	3.03	3.17

Consolidated Statement of Comprehensive Income

euro 000's	Note	Year 15	Year 14
Profit (loss) for the period (A)		**92,088**	**96,761**
Other comprehensive income that will be reclassified subsequently to profit and loss:			
Gain/(Losses) on derivative financial instruments (cash flow hedge)	18	5,820	(7,795)
Gain/(Losses) on currency translation of foreign subsidiaries	18	15,610	10,020
Total other comprehensive income that will be reclassified subsequently to profit and loss (B)		**21,429**	**2,225**
Other comprehensive income that will not be reclassified subsequently to profit and loss:			
Cumulated actuarial gains/(losses) on defined benefit plans	20	588	(1,183)
Total other comprehensive income that will not be reclassified subsequently to profit and loss (C)		**588**	**(1,183)**
Total Comprehensive Income (A) + (B) + (C)		**114,105**	**97,803**
Of which:			
Attributable to Shareholders of the Parent company		114,685	98,118
Attributable to non-controlling interests		(580)	(314)

Consolidated Statement of Financial Position

euro 000's	Note	12.31.15	12.31.14
Non current assets			
Intangible fixed assets			
Assets with indefinite useful life	7	149,466	149,466
Key money	7	14,938	16,676
Others intangible assets	7	26,387	27,411
Total Intangible fixed assets		**190,792**	**193,553**
Tangible fixed assets			
Buildings and land	8	110,928	95,111
Plant and machinery	8	13,206	8,550
Equipment	8	14,258	16,082
Leasehold improvement	8	45,573	43,361
Others	8	42,538	54,722
Total Tangible fixed assets		**226,504**	**217,826**
Other assets			
Investment properties	10	29	32
Equity investments		20	20
Deferred tax assets	11	51,220	48,237
Others	12	19,997	18,535
Total others assets		**71,265**	**66,824**
Total non current assets		**488,560**	**478,203**
Current assets			
Inventories	13	347,445	327,085
Trade receivables	14	111,521	99,445
Tax receivables	14	17,637	30,698
Derivative financial instruments	15	1,688	1,751
Others	14	34,297	37,229
Cash and cash equivalents	16	217,801	165,949
Total current assets		**730,388**	**662,159**
Total assets		**1,218,948**	**1,140,362**

To be continued

continuing

euro 000's	Note	12.31.15	12.31.14
Equity			
Share capital	18	61,219	61,219
Capital reserves	18	214,055	214,055
Treasury stock	18		
Hedging and translation	18	12,630	(8,747)
Retained earnings	18	481,392	445,889
Profit/(loss) attributable to the Group	18	92,735	97,114
Total Equity attributable to the Group		**862,032**	**809,531**
Non-controlling interests			
Share capital and reserves		4,696	5,431
Profit/(loss) attributable to non-controlling interests		(647)	(353)
Total Equity attributable to non-controlling interests		**4,048**	**5,078**
Total Equity		**866,081**	**814,609**
Non-current liabilities			
Provisions for risks	19	5,485	3,417
Deferred tax liabilities	11	27,922	29,360
Employee benefits	20	12,315	12,582
Others	22	16,612	16,619
Derivative financial instruments	23	8,598	5,836
Bank borrowings	21	59,743	20,298
Total non-current liabilities		**130,675**	**88,112**
Current liabilities			
Trade payables	23	142,881	160,220
Tax payables	23	14,082	9,015
Derivative financial instruments	15	3,125	11,422
Others	23	38,283	41,345
Bank	21	23,822	15,638
Total current liabilities		**222,192**	**237,641**
Total Equity and liabilities		**1,218,948**	**1,140,362**

Consolidated Statement of Cash Flows

euro 000's	Note	Year 15	Year 14
Profit/(Loss) for the period		**92,088**	**96,761**
Non-cash adjustments:			
Amortizat., deprec., revaluat., and write-downs	7-8-9-13-14	55,028	41,910
Change in employee benefits	20	318	261
Change in deferred tax/liabilities	11	(4,421)	(287)
Other non monetary expenses/(income)	19-15-18	2,417	2,405
Cash flow (A)		**145,431**	**141,051**
Change in current assets and liabilities:			
Trade receivables	14	(11,754)	(4,613)
Other current assets	14	2,932	(2,436)
Inventories	13	(24,479)	(43,232)
Tax receivables	14	13,061	(13,840)
Trade payables	23	(17,340)	7,601
Other current liabilities	23	(4,024)	4,674
Tax payables	23	5,067	1,206
Change in current assets and liabilities (B)		**(36,537)**	**(50,640)**
Cash flow from operations (C) = (A)+(B)		**108,894**	**90,411**
Net investments in intangible and tangible assets	7-8	(47,139)	(63,086)
(Increase) decrease of equity investments			
Other changes in fixed assets			
Reduction (increase) of other non-current assets	12	(1,462)	(3,173)
Cash flow generated (used) in investing activities (D)		**(48,601)**	**(66,259)**
Dividends paid	18	(61,669)	(82,902)
Others change in Equity	18		
Changes in long term loans/other non-current liabilities	21-22	42,685	(3,325)
Capital increase	18		
Changes in non controlling-interests			
Cash flow generated (used) in financing (E)		**(18,984)**	**(86,227)**
Translation differences (F)		7,792	9,935
Cash flow from continuing operations (G)=(C)+(D)+(E)+(F)		**49,102**	**(52,140)**
Cash flow from assets held for sale (H)			
Cash flow generated (used) (I)=(G)+(H)		**49,102**	**(52,140)**
Net cash and cash equivalents at the beginning of the period		154,961	207,100
Net cash and cash equivalents at the end of the period		204,063	154,961
Change in net cash and cash equivalents		**49,102**	**(52,140)**

Consolidated Statement of changes in equity

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**

Year 2014 euro 000's	Share Capital	Capital reserves	Hedging and reserve for translation	Retained earnings	Group interests	Non-controlling interests	Total
Balances as of 01.01.14	**61,219**	**214,055**	**(10,902)**	**531,082**	**795,456**	**5,648**	**801,104**
Profit & Loss account				97,114	97,114	(353)	96,761
Directly in equity			2,156	(1,153)	1,003	39	1,042
Total Comprehensive Income			**2,156**	**95,961**	**98,118**	**(314)**	**97,803**
Dividend paid				(82,645)	(82,645)	(257)	(82,902)
Capital increase							
Share based payments							
Other				(1,396)	(1,396)		(1,396)
Balances as of 12.31.14	**61,219**	**214,055**	**(8,747)**	**543,003**	**809,531**	**5,078**	**814,609**

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, and FAY) and licensed brands (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, 2015 TOD'S S.p.A. share capital is owned by DI.VI. FINANZIARIA of DIEGO DELLA VALLE & C. S.r.l. for 54.37%.

The consolidated financial statements has been prepared by the Board of Directors of TOD'S S.p.A. on March 14th, 2016 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, 2015 (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, 2014, except for the information reported below in relation to any amendments, interpretations and new accounting standards applicable from January 1st, 2015.

Accounting standards, amendments and interpretations endorsed by the European Union, which will be applicable from January 1st, 2015 and which were first adopted in the TOD'S Group's consolidated financial statements at December 31st, 2015

• IFRIC 21 – Levies. This interpretation was published on May 20th, 2013 and provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. Specifically, this interpretation states that a liability must be recognised at the time of the occurrence of the event, which is normally specified in the legislation introducing a new duty/tax generating the obligation, even if the obligation is measured on past performances. The interpretation should have been applied retrospectively, subject to prior endorsement, for periods beginning on January 1st, 2014. The process for endorsement that was completed with the publication in the Official Journal on June 14th, 2014 delayed its application on the part of the European Union and has been applicable for periods beginning on or after June 17th, 2014 (for the TOD'S Group, from January 1st, 2015). The new standard has had no impact on the Group.

• "Annual Improvements to IFRSs: 2011-2013 Cycle" – This document, which was published in December 2013, is aimed at adopting the proposed amendments to the standards within the annual improvements process. The main amendments involve the IAS/IFRS and the issues reported below: IFRS 1 First-time Adoption of International Financial Reporting Standards – Meaning of "effective" IFRSs; IFRS 3 – Business Combinations – Scope exception for joint ventures; IFRS 13 Fair Value Measurement – Scope of paragraph 52 (portfolio exception); IAS 40 Investment Property – Interrelationship between IFRS 3 and IAS 40. The process for endorsement by the European Union was completed with the publication in the Official Journal on December 19th, 2014. The amendments will be applicable for periods beginning on or after July 1st, 2014 (for the TOD'S Group, from January 1st, 2015). The new standard has had no impact on the Group.

• "Annual Improvements to IFRSs: 2010-2012 Cycle" - This document, which was published on December 12nd, 2013, is aimed at adopting the proposed amendments to the standards within the annual improvements process. The main amendments involve the IAS/IFRS and the issues reported below: IFRS 2 Share-based Payment - Definition of vesting conditions; IFRS 3 Business Combinations – Accounting for contingent consideration; IFRS 8 Operating Segments - Aggregation of operating segments; IFRS 8 Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets; IFRS 13 Fair Value Measurement - Short-term receivables and payables; IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Revaluation method: proportionate restatement of accumulated depreciation; IAS 24 Related Party Disclosures - Key management personnel. The process for endorsement by the European Union was completed with the publication in the Official Journal on January 9th, 2015. The amendments will be applicable for periods beginning on or after 1 July 2014 (for the TOD'S Group, from January 1st, 2015). The new standard has had no impact on the Group.

• Amendments to IAS 19 – Employee contributions to defined benefit plans. On November 21st, 2013, the IASB published some minor amendments to IAS 19 – Employee benefits, concerning the accounting for contributions to defined benefit plans from employees or third parties in specific cases, to be recognised as a reduction in the service cost for the period. The process for endorsement by the European Union was completed with the publication in the Official Journal on January 9th, 2015. These amendments will be applicable retrospectively for periods beginning on or after July 1st, 2014 (for the TOD'S Group, from January 1st, 2015). The new standard has had no impact on the Group.

Accounting standards, amendments and interpretations endorsed by the European Union, which will be applicable from January 1st, 2016 and which have not been adopted early by the TOD'S Group.

•Accounting for Acquisitions of Interests in Joint Operations (amendments to IFRS 11): this amendment, which was published in May 2014 and was approved by the European Union in November 2015, is aimed at clarifying the accounting treatment to be applied to the acquisitions of interests in a Joint operation that constitutes a business. In the application of IFRS 3, the investor is required to measure any acquired assets and liabilities at their related fair value, to calculate final transaction 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. It is expected that the application of this standard will have no impact on the Group.

• Amendments to IAS 16 and IAS 41, Agriculture, Bearer Plants: the amendment, which was published in June 2014 and was approved by the European Union in November 2015, is aimed at changing the method to measure the assets constituted by bearer plants (e.g. grape vines, rubber trees and oil palms, etc.), which are expected to be included under property, plant and equipment (IAS 16) and to be excluded from biological assets (IAS 41). It is expected that the application of this standard will have no impact on the Group.

• Clarification of Acceptable Methods of Depreciation and Amortisation (amendments to IAS 16 and IAS 38): the amendment, which was published in May 2014 and was approved by the European Union in December 2015, is 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 this asset and does not consider the consumption of the economic benefits embodied in the asset itself. It is expected that the application of this standard will have 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 proposed 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. It is expected that the application of this standard will have no significant impact on the Group.

• Disclosure Initiative (IAS 1): this amendment, which was published in December 2014 and was approved by the European Union in December 2015, is aimed at introducing some clarifications and concepts with reference to the materiality, the methods of aggregation and the presentation of partial information, the structure of the notes and the description of the accounting standards actually applied. This standard only applies to the presentation of disclosures and has no impact on the main indicators.

• Amendments to IAS 27 – Equity method in separate financial statements: this amendment, which was published in August 2014 and was approved by the European Union in December 2015, is aimed at providing, in the preparation of the separate financial statements, for the possibility of using the equity method in addition to the other methods described (cost, IFRS 9/IAS 39) in accounting for interests in subsidiaries, joint ventures and associates. It is expected that the application of this standard will have no significant impact on the Group.

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. The IASB expects to adopt it from 2016.

From a first preliminary review it results that a future adoption of the new standard should have no significant impact on the Group's financial statements.

• 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. 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.
From a first preliminary review it results that a future adoption of the new standard should have no 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 development 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.

From a first preliminary review it results that a future adoption of the new standard should have no significant impact on the Group's financial statements.

• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Asset between an Investor and its Associate or Joint Venture (issued on 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 on December 17th, 2015 did not decided yet the adoption date.

From a first preliminary review it results that a future adoption of the new standards should have no significant impact on the Group's financial statements.

• Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (issued on December 18th, 2014). The document provides for the investment companies that meet the definition set out in the standard to be exempted from the obligation to present the consolidated financial statements and to be required to measure their investees according to the fair value method set out under IFRS 9. The IASB expects to adopt it in 2016.

From a first preliminary review it results that a future adoption of the new standards should have no significant impact on the Group's financial statements.

• IFRS 16 - Leases: The International Accounting Standards Board (IASB) issued IFRS 16 Leases in January 2016. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). IFRS 16 does not change the accounting for services IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations). IFRS 16 defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. The IASB expects to adopt it from 2019.

Considering the recent publication of the above mentioned standard, it's been not analysed yet the impacts on the Company and the Group. For outstanding lease agreements minimum payments see Note 19.4.

• On January 19th, 2016 IASB amended IAS 12: The International Accounting Standards Board (IASB) amended IAS 12. The amendment clarify how to recognise deferred tax assets related to liabilities measured at fair value. The amendments will be applicable from January 1st, 2017.
From a first preliminary review it results that a future adoption of the new standard should have no significant impact on the Group's financial statements.
• On January 29th, 2016 IASB amended IAS 7: The International Accounting Standards Board (IASB) amended IAS 7. The amendment requires disclosures for changing of financial liabilities with the aim to improve disclosures for investors . The amendments will be applicable from January 1st, 2017.
From a first preliminary review it results that a future adoption of the new standard should have no significant impact on the Group's financial statements.
The standards listed above are not applicable as they have not been endorsed by the European Union, which, during the process of endorsement, could adopt these standards only partially or could not adopt them at all.

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. 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 2015		Year 2014	
	Exch. rates as of year end	Average exch. rate	Exch. rates as of year end	Average exch. rate
U.S. dollar	1.089	1.109	1.214	1.327
British pound	0.734	0.726	0.779	0.806
Swiss franc	1.084	1.067	1.202	1.215
Hong Kong dollar	8.438	8.597	9.417	10.288
Japanese yen	131.070	134.210	145.230	140.306
Hungarian forint	315.980	309.811	315.540	308.654
Singapor dollar	1.542	1.524	1.606	1.681
Korean won	1,280.780	1,254.024	1,324.800	1,397.390
Macao pataca	8.692	8.855	9.701	10.597
Chinese renmimbi	7.061	6.968	7.536	8.173
Indian rupee	72.022	71.104	76.719	80.969
Albanian lek	137.020	139.684	140.095	139.958
Brazilian real	4.312	3.637	3.221	3.119

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 and FAY 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

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, 2015.

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. No share based payments result in the current consolidated financial statements.

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.

4. Scope of Consolidation

Changes in the scope of consolidation at December 31st, 2015 in respect to December 31st, 2014 are the followings: incorporation of TOD'S Washington Inc. on February 20th, 2015 and 100% owned by An.Del Inc., incorporation of TOD'S Austria Gmbh on March 5th, 2015 and 100% owned by TOD'S S.p.A. and the incorporation of Ala Del Inc. incorporated on July 2nd, 2015 and 100% owned by Partecipazioni Internazionali S.r.l. The latter, on January 22nd, 2016 changed its name in Roger Vivier S.p.A..

TOD'S Luxembourg was not operative at December 31st, 2015.

These operations represent the only changes in the scope of consolidation from the Consolidated Financial Statements at December 31st, 2014.

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 61,218,802

Direct Subsidiaries

TOD'S Deutsch. Gmbh Dusseldorf - 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 14,000,000 % held: 100%	**Partecipazioni Int. S.r.l.** S.Elpidio a Mare – Italy S.C. – euro 957,486 % 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%
Hono.Del. Inc. Honolulu, Hi - U.S.A. S.C. - Usd 10,000 % held: 100%	**Il.Del. USA Inc.** Springfield, Il - U.S.A. S.C. - Usd 10,000 % held: 100%	**Neva.Del. Inc.** Carson City, Nv - U.S.A. S.C. - Usd 10,000 % held: 100%	**Or.Del. USA Inc.** Sacramento, Ca - U.S.A. S.C. - Usd 10,000 % held: 100%
Gen.Del SA Geneva - 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%	**Roger Vivier UK Ltd** London – Great Britain S.C. – Gbp 150,000 % held: 100%
TOD'S Espana SL Madrid - Spain S.C. - euro 468,539.77 % 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 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%

Indirect subsidiaries			
TOD'S Luxembourg SA Luxembourg S.C. - euro 31,000.00 % held: 50%	**TOD'S Korea Inc.** Seoul - Korea S.C. - Won 2,000,000,000 % held: 100%	**TOD'S Macao Ltd** Macao S.C. - Mop 20,000,000 % held: 100%	**TOD'S (Shanghai) Tr. Co.** Shanghai - China S.C. - Usd 32,000,000 % held: 100%
TOD'S India Retail Pte Ltd Mumbai - India S.C. - Inr 193,900,000 % held: 51%	**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 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 Switzerland** Lugano – Switzerland S.C. – Chf 1,500,000 % 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 Japan KK** Tokyo – Japan S.C. – Jpy 10,000,000 % held: 100%
Roger Vivier Macau Lda Macao 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%	

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

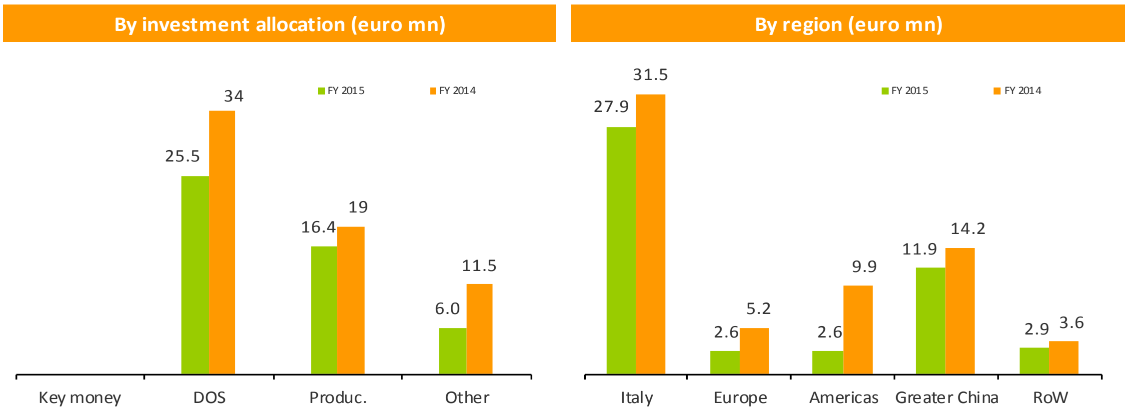
The search for higher levels of operating efficiency has identified as key element for maximising profitability via the sharing of a significant portion of service activities (first and foremost production), both at the central and peripheral levels; on the contrary, segmentation of the business appears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

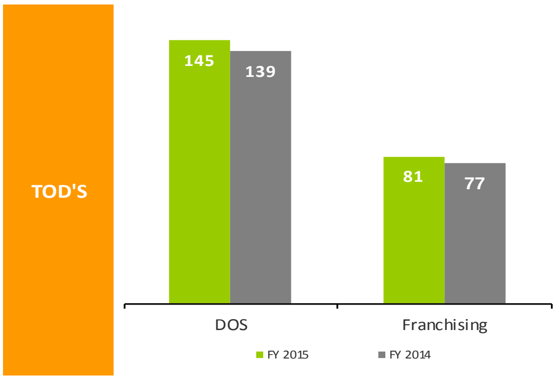
In order to have a more detailed examination, the Report of the Board of Directors, to which reference is made, includes operating information, including a breakdown of consolidated revenues by BRAND, CHANNEL, PRODUCT and REGION. Below are provided some further details for completion.

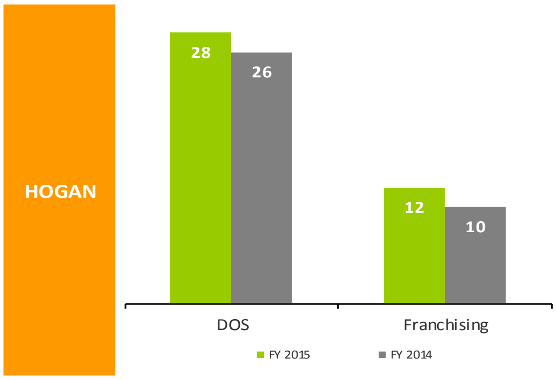
2015 *Capital expenditures*

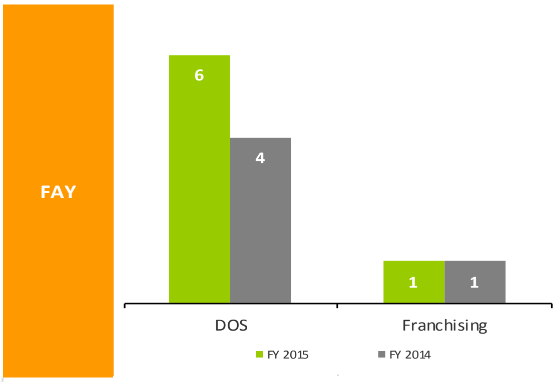


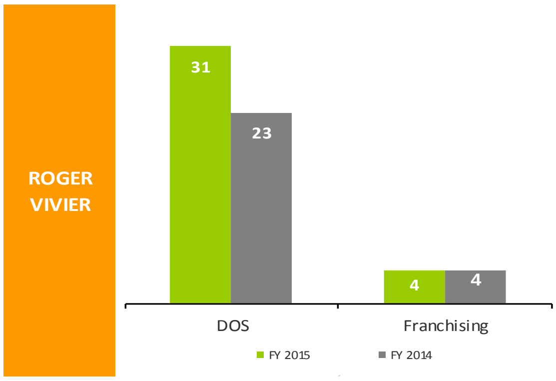
Distribution network

TOD'S Group - Distribution channel		Year 15	Year 14
Italy	DOS	45	43
	FRANCHISED STORES	2	3
Europe	DOS	53	47
	FRANCHISED STORES	19	16
Americas	DOS	21	16
	FRANCHISED STORES	3	2
Greater China	DOS	81	76
	FRANCHISED STORES	26	24
RoW	DOS	57	50
	FRANCHISED STORES	48	48
Total DOS		**257**	**232**
Total FRANCHISED STORES		**98**	**93**









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 2015 resulting from wholesale distribution channel are 36.5% of total sales. The Group subjects these revenues to a hedging policy designed to streamline credit management and reduction in the associated

risk. In particular, the Group's policy does not envisage granting credit to customers, with periodic analyses of the creditworthiness of all customers, both long-standing and potential ones, in order to monitor and prevent possible solvency crises.
The following table illustrates the ageing of trade receivables outstanding at December 31st, 2015 gross of allowance for doubtful accounts:

In euro 000's		Overdue			
	Current	0 > 60	60 > 120	Over	Total
From third parties	87,522	19,768	3,009	6,334	116,633

The prudent estimate of losses on the entire credit mass existing at December 31st, 2015 was 5.1 million euros. The total amount of overdue receivables at December 31st, 2015 for 29.1 million euros is now about 11.7 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 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 the present case, the Group's profitability, together with its capacity to generate cash and its current exposure to the banking system, lead us to consider that the liquidity risk is not significant. At December 31st, 2015 financial resources were substantially higher than debt exposure: the Group's net financial position was equal to 134.2 million euros, made up of assets of 217.8 million euros and liabilities of 83.6 million euros, of which an amount of 59.7 million euros was a medium/long-term component. At December 31st, 2015 no amount had been disbursed in relation to the financing transaction entered into by TOD'S S.p.A. on 23 July 2014, with two leading banks, which was aimed at setting aside funds to a maximum amount of 400 million euros (Note 21). In relation to this transaction, on 25 January 2016 TOD'S S.p.A. made a final withdrawal of a total amount of 300 million euros (Note 29), as the period had ended during which the Group could ask the two

banks to pay the sums they had made available. The impact of this financing, aimed at the acquisition of the ROGER VIVIER brand (Note 29), on the Group's financial position in the near future, was offset by the capital increase of 207.5 million euros, which had been resolved by the Parent Company's Extraordinary Shareholders' Meeting on January 13th, 2016 and which had been subscribed and paid up in full on January 27th, 2016 (Note 29).

Furthermore, it should be noted that, again on January 27th, 2016, TOD'S S.p.A. entered into a syndicated loan agreement with Crédite Agricole Corporate and Investment Bank and Cassa di Risparmio di Parma e Piacenza S.p.A. (Crédite Agricole Group), whereby a medium/long-term revolving credit facility was granted, in a maximum amount of 100 million euros, in order to borrow the liquid funds needed to meet any possible requirement connected with ordinary sales and general corporate operations. This credit facility will be available for a period of 3 years and.

The Group believes that its capacity to generate cash may allow it 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 2015	FY 2014	FY 2015	FY 2014
CAD	Canada	(75,685.7)	(48,030.8)	83,652.6	53,086.7
CHF	Switzerland	(761.8)	2,245.4	842.0	(2,481.8)
GBP	UK	(10,512.1)	3,499.3	11,618.6	(3,867.6)
HKD	Hong Kong	145,926.4	234,718.0	(161,287.0)	(259,425.2)
JPY	Japan	(23,233.4)	(118,692.6)	25,679.1	131,186.5
KRW	South Korea	(425.5)	69.9	470.3	(77.2)
RMB	China	(1,083,298.3)	(1,223,525.8)	1,197,329.8	1,352,317.9
SGD	Singapore	33,658.0	(11,807.0)	(37,200.9)	13,049.8
USD	USA	(72,671.5)	51,689.1	80,321.1	(57,130.0)
EUR	Europe	7,309.7	(78,172.5)	(8,079.2)	86,401.2
Other	n.a.	(134,631.9)	(1,679.7)	148,803.7	1,856.5
Total		**(1,214,326.3)**	**(1,189,686.7)**	**1,342,150.1**	**1,314,916.9**

euro 000's	Revaluation / Writedown foreign currency	Impact on pre-tax profit	Impact on Shareholders' equity
FY 2015	5%	1,342.2	(3,000.5)
	-5%	(1,214.3)	3,316.3

The impact on equity showed in the previous table is 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. During 2015 the parent company 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). Such loan agreements represent the only one outstanding financial liabilities at December 31st, 2015 at a variable interests rates.

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,

At December 31st, 2015 there were, however, two derivative contracts in being (interest rate swaps - IRSs), which were entered into on July 23rd, 2014, to hedge the risk of possible changes in the interest rates on the financing transaction that has already been mentioned, for a maximum amount of 400 million euros (Note 21). These derivatives protect the Group from the risk of a generalised rise in interest rates, swapping the variable rate on the loan (3-month EURIBOR + 110 basis points) for a contractually fixed rate (a quarterly rate of 0.748%). During 2015, the Group, in the normal process of getting an increasing efficiency of financial sources, re-negotiated the spread of the above mentioned loan from 110 to 90 basis point. At December 31st, 2015 no amounts had been paid out yet in connection with the loan underlying the above mentioned

hedging transactions, and, as a consequence, at December 31st, 2015 the fair value of IRS (notional amount for 400 million euros) has been recognized in the cash flow hedge reserve (for the portion related to 300 million euros of notional amount) and in the financial charges section of the income statements (for the portion related to 100 million euros of notional amount which is no more considered as an effective hedged instruments) (Note 15).
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, 2015 would have a net pre-tax impact of about 32 thousand euros in additional expenses (FY 2014: 16 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, 2015 (Note 15) has been classified as Level 2. 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 149,466 thousand euros, and are constituted as follows:

euro 000's	12.31.15	12.31.14
Trademarks	137,235	137,235
Goodwill	12,232	12,232
Total	**149,466**	**149,466**

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

euro 000's	12.31.15	12.31.14
TOD'S	3,741	3,741
HOGAN	80,309	80,309
FAY	53,185	53,185
Total	**137,235**	**137,235**

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 trademarks	Software	Other assets	Total
Balance as of 01.01.14	**18,419**	**4,115**	**9,009**	**15,332**	**28,455**
Translation differences	8		15	33	48
Increases	400	1,056	3,027	1,609	5,691
Decreases		(136)		(5)	(141)
Impairment losses (Note 9)					
Other changes					
Amortization for the period	(2,150)	(689)	(3,528)	(2,425)	(6,642)
Balance as of 12.31.14	**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**

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

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 9,645 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 1.6 million euros.

8. Tangible fixed assets

At December 31st, 2015 the net residual value of Group's tangible fixed assets was a 226.5 million euros (FY 2014: 217.8 million euros).

euro 000's	Land and buildings	Plant and machin.	Equip.	Leasehold improv.	Others	Total
Balance as of 01.01.14	**90,225**	**8,472**	**16,002**	**37,460**	**40,194**	**192,353**
Translation differences	(168)	(2)	117	1,677	1,840	3,462
Increases	6,714	1,546	8,093	16,263	25,750	58,366
Decreases		(15)	(249)	(437)	(528)	(1,230)
Impairment losses (Note 9)			(642)	(704)	(993)	(2,339)
Other changes						
Amortization for the period	(1,659)	(1,452)	(7,239)	(10,897)	(11,541)	(32,788)
Balance as of 12.31.14	**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)	
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**

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 the construction, started last year, of a new industrial building located in the Group's headquarters area.

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 the new American stores located in Atlanta, Seattle and Houston and renovating the existing stores. Depreciation from continuing use of the fixed assets during the year amount to 39.3 million euros, while write-downs recognized through profit and loss amount to 3 million euros, of which 1.7 million euros for the impairment write-downs and 1.3 million euros are referred to disposals (Note 9). Other changes are related to the reclassification of the investments under constructions recognised in 2014 in connection with the new industrial building located in the Group's headquarters area, already commented.

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 2016 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 33% tax rate. 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 8.50% was used (the WACC rate used at December 31st, 2014 was 8.59%), 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 137.2 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, the recoverable value of the individual brands has been estimated by applying the royalties method and using the same assumptions as those specified above in terms of growth rates, tax rate, WACC and terminal value. The analysis conducted did not show up any evidence of impairment, as the recoverable value of the brands is higher than their net carrying amount.

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 1.7 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	(83)
Balance as of 01.01.15	**32**
Increases	
Decreases	
Depreciation for the period	(4)
Balance as of 12.31.15	**29**

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	12.31.15	12.31.14	Change
Deferred tax assets	51,220	48,237	2,982
Deferred tax liabilities	(27,922)	(29,360)	1,438
Net Balance	**23,298**	**18,877**	**4,421**

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. The opening balance of deferred tax assets/liabilities has been adjusted in order to reflect the changing of Italian corporate tax rate applicable starting from 2017. 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	12.31.15		12.31.14	
	Asset	Liabilities	Asset	Liabilities
Property plant and Equipment	1,453	5,282	2,685	5,780
Intangible fixed assets	2,537	28,475	2,087	29,497
Inventory	30,234	(4,683)	26,442	(4,549)
Derivative financial instruments	116	(1,551)	282	(2,109)
Cost deductible over several years	1,004	(421)	1,094	(374)
Reserve for employees	1,190	259	1,245	290
Provision for risks	127	(328)	81	(337)
Other	52	889	17	1,163
Fiscal losses to carry forward	14,507		14,305	
Total	**51,220**	**27,922**	**48,237**	**29,360**

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, 2015, totalled 14.5 million euros (FY 2014: 14.3 million euros). New deferred tax assets for 3.2 million euros were recognised on the 2015 financial statements for losses that can be carried forward, while, during the year, deferred tax assets for 1 million euros have been used on previous year fiscal losses. Moreover, during the year, 2.2 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.

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 347,445 thousand euros at December 31st, 2015, and include:

euro 000's	12.31.15	12.31.14	Change
Raw materials	53,892	64,661	(10,769)
Semi-finished products	11,148	9,480	1,668
Finished products	304,736	271,157	33,579
Write-down	(22,333)	(18,213)	(4,119)
Total	**347,445**	**327,085**	**20,359**

The allowance for inventory write-downs reasonably reflects the technical and stylistic obsolescence of the Group's inventories at December 31st, 2015. In the course of the year the provision existing at the beginning of the year was used for 1.2 million euros (3.5 million euros in 2014), while the provision set aside in the year amounted to 5.5 million euros (1.6 million euros in 2014).

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	12.31.15	12.31.14	Change
Trade receivables	116,633	104,880	11,753
Allowances for doubtful accounts	(5,112)	(5,435)	322
Net trade receivables	**111,521**	**99,445**	**12,075**

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 2015 totalled 800 thousand euros. The following schedule shows the changes during the year in the allowances for doubtful accounts:

euro 000's	12.31.15	12.31.14
Opening balance	**5,435**	**5,941**
Increases	800	800
Used during year	(1,123)	(1,306)
Closing balance	**5,112**	**5,435**

14.2 Tax receivables: these total 17,637 thousand euros (FY 2014: 30,698 thousand euros) and are mainly comprised of receivables for Value Added Tax claimed by the Group from the tax authorities of the countries where it operates. The change in respect of the previous year is mainly due to the fulfilment of tax receivables related to corporate income taxes recognised last December 31st, 2014.

14.3 Other current assets:

euro 000's	12.31.15	12.31.14	Change
Deferred costs	7,829	6,786	1,043
Others	26,468	30,443	(3,975)
Total other current assets	**34,297**	**37,229**	**(2,932)**

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 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. 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	31,450	28,888		
HK dollar	509,500	60,384		
Japanese yen	1,580,000	12,055	4,600,000	35,096
British pound	20,550	27,999		
Swiss franc	10,600	9,783		
Chinese renmimbi	422,900	59,894		
Singapore dollar	1,620	1,051		
Euro	11,630	11,630	13,195	13,195
Canadian dollar	7,850	5,193		
Brazilian real	2,154	500		
Australian dollar	2,390	1,604		
Totale		**218,981**		**48,291**

At December 31st, 2015 the derivatives used to hedge exchange risks reported an overall negative fair value of 1,437 thousand euros, i.e. the balance of assets of 1,688 thousand euros (compared to 1,751 thousand euros in 2014) and liabilities of 3,125 thousand euros (compared to 11,422 thousand euros in 2014). At December 31st, 2015 the (net) fair value of the derivatives on currencies used to hedge forecast transactions (i.e. cash flow hedge) was equal to liabilities of 219 thousand euros. As regards the latter hedging contracts, which were closed in the period from January to December 2015, the transfer of the effect of the hedging transactions to the income statement was equal to 16,387 thousand euros, of which 16,043 thousand euros were entered as a reduction in revenues and 344 thousand euros as an increase in costs.

At December 31st, 2015 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 a variable rate loan transaction that was completed on the same date in order to set aside funds to a maximum amount of 400 million euros (Note 21). These derivative contracts, having an overall notional amount equal to the maximum value of the amounts made available to TOD'S S.p.A. (of which an amount of 200 million euros was raised from Crédit Agricole and an amount of 200 million euros was raised from Mediobanca), 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%). No amounts had been paid out yet as at December 31st, 2015 in relation to the loan underlying the above mentioned hedging transactions, while on January 25th, 2016 it's been drawn down the definite amount of 300 million euros because the period of availability expired. As a consequence, at the reporting date, the fair value of the above mentioned derivatives, computed on a notional amount of 300 million euros, has been recognised in the cash flow hedge reserve for 4.675 thousand euros, net of related deferred tax effect, because it relates to financial instruments designated to hedge the above mentioned loan (high probable forecasted transactions), while the fair value of the derivatives computed on the residual amount of 100 million euros has been recognised in the financial expenses of the income statements for 2,149 thousand euros because it relates to financial instruments no more designated for hedging purposes of the above mentioned loan. The total financial derivative liability of the IRS, for 8,598 thousand euros, has been represented within the non-current liabilities in accordance with the period on which the effects will be generated.

16. Cash and cash equivalents

Cash and cash equivalents are related to cash and bank deposits for 217,801 million euros (165,949 million euros at December 31st, 2014). 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, 2015.

18. Equity

18.1 Share capital. At December 31st, 2015 the company share capital totalled 61,218,802 euros, and was divided into 30,609,401 shares 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. At December 31st, 2015 Mr. Diego Della Valle, president of the Board of Directors, hold, directly and indirectly, 57.471% of TOD'S S.p.A. share capital. At December 31st, 2015 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 214,055 thousand of euros as of December 31st, 2015. Such reserve has not changed in respect of last year.

18.3 Hedging and translation reserves. The following schedule illustrates the changes occurred in 2015:

euro 000's	Translation Reserve	Hedging Reserve	Total
Balance as of 01.01.14	**(9,530)**	**(1,372)**	**(10,902)**
Increase in fair value of hedging derivatives		(11,319)	(11,319)
Exchange differences	12,462	(32)	12,430
Transfer to P&L Account of hedging derivatives		1,044	1,044
Others	(2,513)	2,513	
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 12.31.15	**15,976**	**(3,346)**	**12,630**

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 1,328 thousand euros, net of tax effects, and the measurement of IRS in connection with hedging of interest rate risks, which is negative for 4,675 thousand euros, net of tax effects (see Note 15). Such reserve includes even some intercompany transactions, for which derivatives have been expired at

December 31st, 2015, that will be transferred to the income statement when sales versus third customers or when forecast transactions will be realized. Other changes for the period relate to the effects of forward transactions to hedge exchange risks on intercompany financial flows of foreign currency (capital increases) that were recorded in the year (Notes 6 and 15), including any related tax effects.

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 01.01.14	**397,302**	**133,780**	**531,082**
Allocation of 2013 result	51,135	(51,135)	
Dividends		(82,645)	(82,645)
Profit for the period		97,114	97,114
Other changes	(2,549)		(2,549)
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 12.31.15	**481,393**	**92,735**	**574,128**

During the year, part of the net income for 2014 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 22nd, 2015. Other changes are related to the use of the specific reserve for promoting territorial solidarity projects and to the recognition of the cumulated actuarial gains/(losses) of the period (IAS19).

18.5 Dividends. In execution of a resolution by the Shareholders' Meeting of April 22nd, 2015, the parent company TOD'S S.p.A. paid the shareholders dividends in May for the net income realised in 2014. The aggregate amount of the dividends paid is 61,218,802 euros, at the rate of 2 euros for each of the 30,609,401 shares representing the share capital at the coupon detachment date (May 18th, 2015). 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 2015 be distributed with payment of a dividend of 2 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 66,187,078 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 5,485 thousand euros (3,417 thousand euros in 2014) as the prudent estimate of liabilities that the Group might incur on pending legal and tax lawsuits. Accruals for the year totalled 2,020 thousand euros (647 thousand euros in 2014), while the provision has been used for 231 thousand euros (238 thousand euros) and it has been reversed for 251 thousand euros (694 thousand euros).

19.2 Contingent liabilities and other commitments.

i. Guarantees granted to third parties. At December 31st, 2015 the Group had provided guarantees amounting to 3,692 thousand euros (compared to 13,904 thousand euros in 2014) against the contract commitments undertaken by some Group companies. The guarantees mainly consist of a surety of 2,000 thousand euros (10,912 thousand euros in 2014) 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 15,202 thousand euros (14,547 thousand euros in 2014).

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 (7.6 million euros), and a first mortgage in favour of Société Européenne de Banque for JPY 5,652.8 million (43.1 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 2015, the residual face value of the principal for the two bonds amounted to JPY 2,513 million euros (19.2 million euros).

19.3 Derivative financial instruments. During the period, the Group used derivatives to hedge transactions in a foreign currency other than euro (Note 15). All the derivative contracts, which were entered into with leading financial institutions, will mature during 2016. Furthermore, the Parent Company has two derivative contracts to hedge the risk associated with fluctuations in the interest rates on a variable rate loan agreement entered, last year, into with two leading banks (Notes 15 and 21). The effects of these derivative contracts will mature during the set term of the underlying loan agreement, with the exception of what have been already commented in the Note 15.

19.4 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	2015	2014
2015		85.6
2016	97.8	82.4
2017	86.2	71.9
2018	66.9	57.1
2019	48.1	41.2
2020	40.6	
Over 5 years	115.6	133.9
Total	**455.2**	**472.1**

Operating lease instalments, included in the Costs of use of third party assets, totalled 111.4 million euros in the year 2015, 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, 2015, the liability accrued *vis-à-vis* employees was 3,085 thousand euros (December 31st, 2014: 2,570 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 851 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.

[1] The statutory amendment envisaged that for firms with more than 50 employees, the employee severance indemnities accrued from January 1st, 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.

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

- Discounting rate: 2.03%

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

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

The table below shows the variation of the liability occurred in 2015:

euro 000's	Year 2015	Year 2014
Opening balance	**10,012**	**8,844**
Service costs	107	95
Interest costs	152	290
Benefits paid	(419)	(455)
Actuarial gains/(losses)	(623)	1,259
Other		(21)
Closing balance	**9,230**	**10,012**

21. Financial liabilities

The Group's financial liabilities at December 31st, 2015 are broken down as follows:

euro 000's	12.31.15	12.31.14	Change
Current account overdraft	13,737	10,988	(2,749)
Financing and other financial liabilities- short term	10,084	4,650	(5,435)
Total financial liabilities short-term	**23,822**	**15,638**	**(8,183)**
Financing and other financial liabilities - long term	59,743	20,298	(39,445)
Total financial liabilities	**83,565**	**35,936**	**(47,629)**
Total Financing - and other financial liabilities (short/long term)	69,827	24,948	(44,879)

Financing and other financial liabilities. At December 31st, 2015 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 loan	Banca Nazionale del lavoro S.p.A.	Eur	2019	21,889	21,889
Medium and long term loan	Intesa SanPaolo S.p.A.	Eur	2019	24,957	24,957
Leasing	Medioleasing S.p.A.	Eur	2023/2024	3,199	3,199
Notes A-1	Intesa SanPaolo S.p.A.	Jpy	2017	274,015	2,091
Notes A-2	Société Eurepéenne de Banque	Jpy	2021	2,238,872	17,082
Total financing					**69,218**
Other financial liabilities		Inr	n.a.	43,967	609
Total financing and other financial liabilities					**69,827**

Long term loans relate 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
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, 2015.
Leasing are related to two financial lease agreements to which TOD'S S.p.A. got in on March 2014 in order to purchase a new industrial building located next to the Group headquarter. The financial liabilities indicated as Notes A-1 and A-2 represent two amortised, non-convertible fixed-rate (respectively 2.94% and 3.239%) bonds denominated in JPY, issued in 2006 by the subsidiary Holpaf B.V. to refinance the debt assumed for purchase of the land and construction of the building in Omotesando. The two bonds were fully subscribed by banks, and specifically by Intesa San Paolo (Notes A-1) and Société Européenne de Banque (Notes A-2).
The debt referred to at Notes A-1 and A-2 includes the residual debt for principal (Note A-1: 2,060 thousand euros, and Note A-2: 16,550 thousand euros) and the interest accrued for the year, 23 thousand euros and 203 thousand euros, respectively, and the effect of fair value measurement upon initial recognition, for 8 thousand euros and 329 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	Leasing	Medium and long term loan (BNL)	Medium and long term loan (Intesa)	Notes A1	Notes A2	Total
2016	228	6,264	23	997	2,572	10,084
2017	238	6,250	-	1,093	2,433	10,015
2018	248	6,250	-	-	2,498	8,996
2019	259	3,125	24,934	-	2,565	30,884
2020	270	-	-	-	2,633	2,902
Over 5 years	1,956	-	-	-	4,381	6,337
Total	**3,199**	**21,889**	**24,957**	**2,091**	**17,082**	**69,218**

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		12.31.15
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**

Financial liabilities by currency		12.31.14
Currency 000's	Local Currency	Euro
Jpy	1,590,326	10,950
Inr	2,738	36
Eur	2	2
Total bank overdrafts		**10,988**
Jpy	2,939,424	20,240
Inr	98,965	1,290
Eur	3,418	3,418
Total financing and financial liabilities		**24,948**
Total financial liabilities		**35,936**

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

Finally, it should be noted that on July 23rd, 2014 the parent company TOD'S S.p.A. entered into a variable rate loan agreement with two leading banks, which was aimed at setting aside funds for a maximum amount of 400 million euros. The funds will remain available for a period of eighteen months from the date of the execution of the agreement, during which the company may require the disbursement of the loan in one or more than one tranche at the terms and conditions laid down therein, which provide for the application of a variable interest rate (3-month EURIBOR + 90 basis points) on the sums paid out. To hedge the risk arising from interest rate fluctuations, the company has entered into two hedging derivative contracts (Note 15), swapping the variable rate set as per contract for a quarterly fixed rate of 0.748%. At December 31st, 2015 no amount had been paid out yet in relation to this loan.

22. Other non-current liabilities

The balance for this item, 16,612 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 11,605 million euros (12,877 million euros at December 31st, 2014). 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. 15	12.31. 14	Change
Trade payables	142,881	160,220	(17,340)
Tax payables	14,082	9,015	5,067
Other liabilities			
Payables due to employees	13,266	10,429	2,837
Social security institutions	6,872	6,442	430
Other	18,145	24,473	(6,328)
Total other liabilities	**38,283**	**41,345**	**(3,061)**

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 1,037 million euros (965,5 million euros in 2014), increased for 7.4% in respect to the previous year.

The item "Other income" amounts to 11.4 million euros (10.5 million euros in 2014) and it mainly includes active royalties and insurance reimbursements.

25. Personnel costs

The personnel costs incurred by the Group in FY 2015 as compared with those for FY 2014 are illustrated as follows:

euro 000's				% on sales	
	Year 2015	Year 2014	Change	2015	2014
Wages and salaries	141,115	122,801	18,314	13.6	12.7
Social security contributions	36,598	32,411	4,186	3.5	3.4
Employee sev. Indem. (service cost)	5,589	5,174	415	0.5	0.5
Total	**183,302**	**160,386**	**22,915**	**17.7**	**16.6**

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

	12.31.15	12.31.14	Average 15	Average 14
Executives	48	50	50	50
White-collar Employees	3,230	2,981	3,141	2,935
Blue-collar Employees	1,272	1,266	1,273	1,254
Total	**4,550**	**4,297**	**4,464**	**4,239**

26. Financial income and expenses

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

euro 000's	Year 15	Year 14	Change
Income			
Interest income on current account	453	905	(453)
Foreign exchange gains	28,731	22,318	6,413
Other	83	179	(96)
Total income	**29,267**	**23,403**	**5,864**
Expenses			
Interest on medium-long term financing	(732)	(590)	(142)
Interest on short term borrowings	(170)	(169)	(1)
Foreign exchange losses	(35,066)	(24,719)	(10,347)
Other	(4,596)	(1,724)	(2,872)
Total expenses	**(40,564)**	**(27,202)**	**(13,362)**
Total net income and expenses	**(11,297)**	**(3,799)**	**(7,497)**

Other financial expenses include, for 2,149 thousand euros, the negative fair value of financial instruments no more designed for hedge accounting in connection with the notional amount of 100 million euros (Note 15) of 400 million euros related to the loans already commented above (Notes 15 and 21).

27. Income taxes

Tax expenses allocable to FY 2015, including deferred taxes, totalled 45.2 million euros, and are broken down into current and deferred taxes as follows:

euro 000's	Year 15	Year 14
Current taxes	50,339	47,822
Deferred taxes	(5,157)	(203)
Total	**45,182**	**47,619**
Tax rate	(32.9%)	(33.0%)

The parent company's theoretical tax rate for FY 2015 (impact of theoretical tax on pre-tax profit) was 35%, determined by applying the IRES and IRAP tax rates applicable to 2015 taxable income as reported on the financial statements, while the theoretical tax rate for FY 2015 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	**48.0**	**35.0**
Previous year taxes	(3.9)	(2.9)
Tax effect of non-deductible or partially deductible costs	(2.0)	(1.5)
Effect connected with the different rates of the foreign subsidiarie	3.1	2.3
Effective income taxes	**45.2**	**32.9**

Previous year taxes are mainly related to the adjustment of the opening amount of deferred taxes referred to the Italian companies in order to reflect the changing of Italian corporate tax rate applicable starting from January 1st, 2017.

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 15	Year 14
Profit used to determine basic earning per share	92,735	97,114
Dilution effects		
Profit used to determine diluted earning per share	**92,735**	**97,114**

euro 000's For continuing operations	Year 15	Year 14
Profit for the year	92,735	97,114
Income (Loss) from discontinued operations		
Profit used to determine basic earning per share	**92,735**	**97,114**
Dilution effects		
Profit used to determine diluted earning per share	**92,735**	**97,114**

In both fiscal 2015 and 2014, 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 15	Year 14
Weighted average number of shares to determine basic earning per share	30,609,401	30,609,401
Share Options		
Weighted average number of shares to determine diluted earning per share	30,609,401	30,609,401

iii. Base earnings per share. Calculation of the base earning per share for fiscal year 2015 is based on the net consolidated income allocable to holders of ordinary shares of the parent company TOD'S S.p.A., totalling 92,735 thousand euros (97,114 thousand euros in 2014), and on the average number of ordinary shares outstanding during the same period, totalling 30,609,401 (unchanged respect to year 2014).

It's been pointed out that, in case it had been considered a number of shares equal to 33,093,539, including the new shares issued as a consequence of the capital increase resolved by the extraordinary shareholders' meeting of TOD'S S.p.A. on January 13th, 2016, subscribed and paid on January 27th, 2016 (Note 29), the base earnings per share for the period January-December 2015 and the base earnings per share for the period January-December 2014 would have been 2.80 euro and 2.93 euro respectively.

iv. Diluted earnings per share. Calculation of the diluted earnings per share for the period January-December 2015 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.

On 27 January 2016, in accordance with the master agreement signed by the parties on 22 November 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 Euro 415 million (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 Euro 20 million, 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 Euro 207.5 million (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 13 January 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 Euro 25 million, 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 Euro 300 million 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 29 November 2015, TOD'S S.p.A. made available an information document to the public, which had been prepared pursuant to Section 7 of the abovementioned Procedure on Related-Party Transactions of Tod's S.p.A., to Article 5 of the Regulation on Related-Party Transactions adopted by Consob by resolution no. 17221 of 12 March 2010, as amended and supplemented, as well as to Article 71 of the Issuers' Regulation adopted by Consob by resolution no. 11971 of 14 May 1999, as amended and supplemented. For more information and details on the transaction, reference should be made to the abovementioned information document, which is available at the registered office of the Company and in the Company's website at www.todsgroup.com.

Most significant transactions concluded during the period

During the year 2015 no further transactions with related parties have been concluded except for the ones commented in the following paragraph.

Related party transactions at December 31st, 2015

In continuation of contractual relationships already existing in 2014, the TOD'S Group continued to maintain a series of contractual relationship with related parties (directors/controlling or significant shareholders) in 2015. The principal object of the transactions was the sale of products, lease of sales spaces, show rooms and offices, use of the ROGER VIVIER brand license 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 2015					
Parent Company (*)	16,140	19			1
Directors					
Exec. with strat. respons.					
Total	**16,140**	**19**	**-**	**-**	**1**
Year 2014					
Parent Company (*)	11,921	51			10
Directors					
Exec. with strat. respons.					
Total	**11,921**	**51**	**-**	**-**	**10**

(*) 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 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**
Year 2014					
Parent Company (*)	642	51	9,257	4,361	18
Directors					
Exec. with strat. respons.					
Total	**642**	**51**	**9,257**	**4,361**	**18**

(*) 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	12.31.15		12.31.14	
euro 000's	Receivables	Payables	Receivables	Payables
Parent Company (*)	5,113	5,922	2,992	5,012
Directors				
Exec. with strat. respons.				
Total	**5,113**	**5,922**	**2,992**	**5,012**

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

Given the insignificance of these amounts, they have not been separately listed in the accounts following CONSOB resolution n. 15519 dated July 27th, 2006.

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 2015 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	8.7				
Andrea Della Valle (**)	1,232.1	9.0				
Luigi Abete	31.8	11.0				
Maurizio Boscarato	32.7	9.3				220.0 (2)
Luigi Cambri	32.7	14.2				9.0 (4)
Luca C. di Montezemolo (******)	31.5					
Sveva Dalmasso	22.7	6.1				
Emanuele Della Valle	31.2					
Fabrizio Della Valle (*******)	69.9	2.3				
Romina Guglielmetti	22.7	14.3				
Emilio Macellari (****)	232.7	9.0				480.0 (2)
Vincenzo Manes	22.7	14.0				
Cinzia Oglio	22.7		3.2	31.2	147.6	
Pierfrancesco Saviotti	30.9	14.5				
Michele Scannavini	22.7					32.5 (2)
Stefano Sincini (***)	678.1 (5)	9.0	4.0		464.4	111.0 (1)
Total	**4,349.2**	**121.4**	**7.2**	**31.2**	**612.0**	**852.5**
Statutory Auditors						
Giulia Pusterla (*****)	90.0					
Enrico Colombo	60.0					36.0 (3) (4)
Fabrizio Redaelli	60.0					
Total	**210.0**					**36.0**
Executives with strategic responsibilities		9.0	7.0	42.2	825.7	117.0 (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
(******) Fabrizio della Valle ceased its office On April 22nd, 2015

(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

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

30. Events and significant non-recurring transactions

Pursuant to Consob Communication No. DEM/6064293 of July 28th, 2006, the Group did not carry out any significant non-recurring operations in 2015.

31. Significant events occurred after the end of the period

In addition to the information reported in the previous paragraph, it should be noted that, on January 27th, 2016, TOD'S S.p.A. entered into a syndicated loan agreement with Crédite Agricole Corporate and Investment Bank and Cassa di Risparmio di Parma e Piacenza S.p.A. (Crédite Agricole Group), whereby a medium/long-term revolving credit facility was granted, in a maximum amount of 100 million euros, in order to borrow the liquid funds needed to meet any possible requirement connected with ordinary sales and general corporate operations. This credit facility will be available for a period of 3 years and, as of today's date, it has not yet been used.

TOD'S S.p.A. - IAS/IFRS Annual Report as of December 31st, 2015

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, 2015, 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 2015 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, 2016.
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 2015 financial year, the typical economic reference indicators (Revenues, EBITDA, and EBIT) have been recalculated by applying the average exchange rates for 2014, 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 global market of luxury goods was characterized, in the year just ending, by a complex macro-economic situation, marked by economic and geopolitical uncertainty in many parts of the world. This uncertain situation, together with a considerable currency market volatility, generated erratic and unpredictable market performances of international markets, thus causing trends that changed even suddenly. These trends, which generated profound imbalances between European and extra-European markets, also affected the tourist macro-flows of international shoppers, and especially those from the Greater China area. Tourists from the latter area prefer, at present, a more international form of shopping linked to tourism, to the detriment of domestic market consumption, which still shows an evident decline that continues to affect the results of all the main players in the sector.

In this situation, the Company reported a good performance, in the financial year just ended, which recorded an increase of 7.4%, at current rates, compared to the previous year. There were positive performances in all geographic areas and as regards all the brands, including the excellent performance reported by the ROGER VIVIER brand, whose sales recorded a double-digit growth in 2015, thus confirming the brand's great appeal to international customers, a brand which has become one of the icons in the most exclusive luxury sector. In this regard, it should be pointed out that on January 27th, 2016 the Group completed the acquisition of the ROGER VIVIER brand, which was previously managed under a licence agreement. This transaction had a high strategic value to the TOD'S Group, given the positioning of the brand on the top of the luxury sector and the consequent complementarity with the other brands of the Group, with a range of products (footwear, leather goods and accessories) targeted at the most sophisticated customers. At the same time the acquisition will give the Group full control over the brand's long-term planning, so that it can improve the forecasted results and fully incorporate both its growth potential and its enhancement and value.

As regards investments, it should be noted that a significant amount of works was carried out in the construction of the new building located in the area in which the Company's headquarters are located, which will be mainly dedicated to host some important industrial activities. On the other hand, in order to support the present and future development of investments, the Company entered into, in 2015, two 4-year term loan agreements with two major banks, for a total amount of 50 million euros, thus seizing the opportunity of extremely low market interest rates and particularly favourable credit access conditions for the Company.

Sales during the year amounted, therefore, to 721.8 million euros: cross rates being constant, i.e. using the same average rates as in 2014, revenues would have amounted to 695.6 million euros. At December 31st, 2014 sales had been equal to 672.3 million euros.

EBITDA and EBIT for the year amounted to 157.3 million euros and 135.6 million euros. Gross and net operating margins would be 136.5 million euros and 114.9 million euros, respectively, exchange rates being constant, accounting for 19.6% and 16.5% of revenues. The net profit for the year came to 85.7 million euros.

euro 000's Main economic indicators	Year 15	Year 14	Change	%
Sales revenues	721,831	672,280	49,551	7.4
EBITDA	157,302	138,477	18,825	13.6
Deprec., amort., write-downs and advances	(21,649)	(21,437)	(211)	1.0
EBIT	135,653	117,040	18,613	15.9
Profit before taxes	123,930	117,177	6,753	5.8
Profit for the year	85,663	78,414	7,249	9.2
Foreign exchange impact on revenues	(26,270)			
Adjusted sales revenues	695,561	672,280	23,281	3.5
Impact on operating cost	5,485			
Adjusted EBITDA	136,516	138,477	(1,960)	(1.4)
Adjusted EBIT	114,869	117,040	(2,171)	(1.9)
EBITDA %	21.8	20.6		
EBIT %	18.8	17.4		
Adjusted EBITDA %	19.6	20.6		
Adjusted EBIT %	16.5	17.4		

euro 000's Main Balance Sheet indicators	12.31.15	12.31.14	Change
Net working capital (*)	264,522	229,508	35,014
Intangible and tangible fixes assets	267,241	266,260	981
Other current assets/liabilities	104,453	115,433	(10,980)
Invested capital	**636,216**	**611,201**	**25,014**
Net financial position	35,650	33,022	2,629
Shareholders' equity	**671,866**	**644,223**	**27,643**
Capital expenditures	20,662	29,202	(8,540)
Cash flow from operations	94,411	62,337	32,074
Free cash flow	49,255	(65,729)	114,984

(*) Trade receivables + inventories - trade payables

Revenues. Revenues rose overall by 7.4% in the period compared with 2014, driven particularly by brilliant performances of ROGER VIVIER brand which showed a double digit growth in 2015. Excellent performance in the core business of shoes, in which the Company confirms its undisputed leadership. Concerning geographical areas, stand out the excellent performance of the American market which achieved a growing rate of 27.5% at a current exchange rates.

euro 000's	FY 15	%	FY 14	%	Change	%
Brand						
TOD'S	374,611	51.9	356,984	53.1	17,627	4.9
HOGAN	191,172	26.5	181,547	27.0	9,625	5.3
FAY	54,065	7.5	52,439	7.8	1,626	3.1
ROGER VIVIER	95,784	13.3	75,319	11.2	20,465	27.2
Other	6,199	0.9	5,991	0.9	208	3.5
Total	**721,831**	**100.0**	**672,280**	**100.0**	**49,551**	**7.4**
Product						
Shoes	557,794	77.3	504,614	75.1	53,180	10.5
Leather goods	96,882	13.4	101,772	15.1	(4,890)	(4.8)
Apparel	60,956	8.4	59,890	8.9	1,066	1.8
Other	6,199	0.9	6,004	0.9	195	3.2
Total	**721,831**	**100.0**	**672,280**	**100.0**	**49,551**	**7.4**
Region						
Italy	284,809	39.5	276,179	41.1	8,630	3.1
Europe	189,363	26.2	168,215	25.0	21,148	12.6
Americas	65,526	9.1	51,386	7.6	14,140	27.5
Greater China	141,565	19.6	137,963	20.5	3,602	2.6
RoW	40,568	5.6	38,537	5.7	2,031	5.3
Total	**721,831**	**100.0**	**672,280**	**100.0**	**49,551**	**7.4**

In 2015, revenues from the TOD'S brand came to 374.6 million euros, recording an increase of 4.9%. HOGAN showed a good performance in all geographical areas in which it is distributed, achieving an increase of 5.3%. FAY sales are 54.1 million euros, increased by 3.1% in respect to 2014, showing a strong acceleration in the fourth quarter.

The ROGER VIVIER brand, which retained its status as one of the most exclusive luxury accessories and footwear brands at global level, achieved revenues of 95.8 million euros (75.3 million euros in 2014), recording a double digit growth rate of 27.2% compared to 2014.

As regards product categories, sales data confirm the Company's indisputable leadership in its footwear core business, the revenues of which amounted to 557.8 million euros in 2015 (compared to 504.6 million euros at December 31st, 2014), accounting for 77.3% of turnover. Revenues from leather goods and accessories are 96.9 million euros (101.8 million euros at December 31st, 2014), showing a decrease in respect to 2014. Sales of apparel amounts to 61 million euros (60 million euros), in line with the previous year.

The trend of revenues by geographical area is a reflection of the strategy decision to place the focus on growth on international markets, giving priority to the more responsive markets.

Sales data were positive in all world markets. In Europe, revenues turned in brilliant double-digit figure increases (12.6%), reporting revenues of 189.4 million euros (168.2 million euros in 2014). The same trend was observed in the American markets, which recorded a double-digit growth rate of 27.5% compared to 2014. Greater China area grew by 2.6% at a current exchange rate, still influenced by the weakness of internal consumptions. The area "Rest of the world" reported

revenues of 40.6 million euros (38.5 million euros in 2014), showing an increase of 5.3% compared to the previous year.
In Italy revenues amounted to 284.8 million euros in 2015, showing a slight increase in respect to 2014, despite the complex domestic economic situation is still on going. The proportion of sales in the domestic market fell further, accounting for 39.5% of total revenues in 2015 compared to 41.1% in the previous year.

Operating results. EBITDA in 2015 totalled 157.3 million euros, equivalent to 21.8% of net sales. In 2014 EBITDA amounted to 138.5 million euros, with a margin of 20.6%.
This result was positively impacted by the changes in exchange rates. On a like-for-like cross-rate basis, i.e. using the same average exchange rates as in 2014, EBITDA would amount to 136.5 million euros, and be equivalent to 19.6% of revenue.
Further growth of personnel expenses in respect of 2014 related to the reinforcement of corporate level operating functions in support of business development.
Amortisation, depreciation expenses and write offs of fixed assets totalled 19.1 million euros in 2015 (18.5 million euros in 2014), and represent 2.7% of sales revenues. Net of 2.5 million euros for provisions, EBIT of the year 2015 amounted to 135.7 million euros. At December 31st EBIT was equivalent to 18.8% of Company's sales revenues. On a comparable exchange rate basis, EBIT would have amounted to 114.9 million euros, equivalent to 16.5% of sales revenues.
In 2014 operating income was 117 million euros, or 17.4% of sales revenues.
The net financial income/expenses for the year was negative for 7 million euros, significantly influenced by the devaluation between the euro and the main currencies with which the Company operates, intensifying the exchange rate effects related to transactions that are not subject to hedging strategies. These figures have been impacted even by the negative fair value of interest rate swaps for 2.1 million euros, which relates to the portion considered not effective under the hedge accounting in connection with the loan agreement for 400 million euros entered in 2014 (for further details please see Notes to the Consolidated Financial Statements).
Net of the tax effect for current and deferred income taxes, totaling 38.3 million euros (FY 2014: 38.8 million euros), for a tax rate of 30.9% as opposed to 33.1% in 2015, the profit for the year amounted to 85.7 million euros, compared with 78.4 million euros of the previous year. The profit at December 31st, 2015 was equivalent to 11.9% of revenue.

Capital expenditures. Capital expenditures made in the 2015 financial year amounted to 20.7 million euros, as against the 29.2 million euros in 2014.
Around 8.2 million euros were dedicated to the construction, started last year, of the new industrial building located at the Group's headquarters area. Moreover, around 4.7 million euros

have been invested for the supply of additional industrial equipment for the creation of the collections (lasts and moulds). A significant quota of investments, 2.8 million euros in the year, was also allocated to the development of the company information systems.

Net financial position (NFP). Net financial position at December 31st, 2015 totalled 35.6 million euros in respect to the beginning of the year when it was 33 million euros. Financial liabilities include, among others, two loan agreements signed in 2015 by TOD'S S.p.A. with both BNL S.p.A. (BNP Paribas Group) and Intesa San Paolo S.p.A. respectively, for an amount of 25 million euros each, which will be reimbursed paying 16 quarterly instalments and in one single payment at the end of the fourth year. Gross of dividends paid in 2015 for 61.2 million euros, the net financial position would be 96.8 million euros.

euro 000's Net financial position	12.31.15	12.31.14	Change
Current financial assets			
Cash and cash equivalents	85,696	36,440	49,256
Current financial assets	**85,696**	**36,440**	**49,256**
Current financial liabilities			
Current account overdraft			
Current share of medium-long term financing	(6,515)	(219)	(6,296)
Current financial liabilities	**(6,515)**	**(219)**	**(6,296)**
Current net financial position	**79,181**	**36,221**	**42,960**
Non-current financial liabilities			
Medium-long term financing	(43,530)	(3,199)	(40,331)
Non-current financial liabilities	**(43,530)**	**(3,199)**	**(40,331)**
Net financial position	**35,650**	**33,022**	**2,629**

Self-funding amounted to 108.9 million euros during the year (106.5 million euros in 2014). Increased the cash flow used for investing activities, amounting to 30 million euros for the year 2015 while it was 45.8 million euros last 2014. The free cash flow of the year 2015, positive for 49.2 million euros (while last year was negative for 65.7 million euros); this was mainly due to the improvement of operating cash flow and the lower cash absorbed by the financial activities which benefits of the already commented loans, entered in 2015 for 50 million euros.

euro 000's Statement of cash flow	Year 15	Year 14
Profit (loss) for the period of the Company	**85,663**	**78,414**
Non-cash items	23,274	28,117
Cash flow (A)	**108,937**	**106,531**
Changes in operating net working capital (B)	(14,526)	(44,194)
Cash Flow from operations (C) = (A)+(B)	**94,411**	**62,337**
Cash Flow generated (used) in investing activity (D)	(29,966)	(45,827)
Cash Flow generated (used) in financing activity (E)	(15,191)	(82,239)
Cash Flow generated (used) (C+D+E)	**49,255**	**(65,729)**
Net Cash and cash equivalents at the beginning of the period	36,440	102,169
Net Cash and cash equivalents at the end of the period	85,696	36,440
Change in net cash and cash equivalents	**49,255**	**(65,729)**

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

As of December 31st, 2015, the share capital of TOD'S S.p.A. consists of 30,609,401 shares, with a par value of 2 euros each. After the reporting date the share capital of the Company changed as a consequence of the total subscription and payment of the capital increase by Gousson - Consultadoria e Marketing S.r.l., resolved by the extraordinary shareholders' meeting of TOD'S on January 13th, 2016, and reserved for the same Gousson - Consultadoria e Marketing S.r.l., occurred on January 27th, 2016, for a total amount of 207,500,047.14 euros through the issuance of n. 2,484,138 ordinary shares with par value of 2 euros each. As a consequence, nowadays the share capital of the Company is composed by 33,093,539 shares with par value of 2 euros each and a total amount 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, 2015 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.

Disclosure pursuant to Article 123-bis of Legislative Decree 58/1998

At its meeting on March 14th 2016, 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 2015, 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

On March 14th, 2016, 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 2016 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 2015 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 20th, 2016, 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)

In 2015 the Group did not conclude highly significant transactions with related parties or related party transactions that had a material impact on the assets, liabilities or net income of the Group, and there were no modifications or developments in the transactions described in the 2014 Annual Report that had the same effects.

All information regarding existing relations with related parties in 2015 are set out in the supplementary notes.

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.

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

In addition to the information reported in the previous paragraph, it should be noted that, on January 27th, 2016, TOD'S S.p.A. entered into a syndicated loan agreement with Crédite Agricole Corporate and Investment Bank and Cassa di Risparmio di Parma e Piacenza S.p.A. (Crédite Agricole Group), whereby a medium/long-term revolving credit facility was granted, in a maximum amount of 100 million euros, in order to borrow the liquid funds needed to meet any possible requirement connected with ordinary sales and general corporate operations. This credit facility will be available for a period of 3 years and, as of today's date, it has not yet been used.

Business outlook

Despite the current market situation, the Company achieved good results in the financial year just ending. There is satisfaction with the positive results recorded by all the Company's brands, all over the world, except for Hong Kong only. With the presentation of the new collections for next winter, the product range, necessary to satisfy the demand of Company's customers, for both leather goods and especially shoes, it's deemed to be completed, as confirmed by the good start of orders collection. The effort for the brand image strengthening, linked to both Italian character and product quality values, appreciated by Company's international customers, together with the strong attention paid to costs, the development of digital business and the appreciations of summer collection, now displayed in the stores, will allow to get good results even in the current year.

Motion for allocation of the profit for the year

It is proposed that the net profit for FY 2015, 85,663,205.68 euros, be allocated as follows:

i. 18,555,244.21 euros to the extraordinary reserve;

ii. 66,187,078 euros, to be distributed to shareholders in the form of a dividend of 2.0 euros per share for each of the outstanding 33,093,539 shares;

iii. 920,883.47 euros to the specific reserve for promoting territorial solidarity projects.

Milan, March 14th, 2016

The Chairman of the Board of Directors
Diego Della Valle

TOD'S s.p.a.

Financial Statements

Income statement

euro 000's	Notes	Year 15	Year 14
Revenues			
Sales revenues (1)	22	721,831	672,280
Other income	22	6,766	7,380
Total revenues and income		**728,597**	**679,660**
Operating costs			
Change in inventories of work in progress and finished goods		22,455	17,179
Cost of raw materials, supplies and material for consumption		(273,464)	(267,688)
Costs for services		(188,464)	(173,321)
Costs of use of third party assets	17.4	(22,174)	(19,050)
Personnel costs	23	(84,054)	(79,016)
Other operating charges		(25,595)	(19,286)
Total operating costs		**(571,295)**	**(541,183)**
EBITDA		**157,302**	**138,477**
Amortisation, depreciation and write-downs			
Amortisation of intangible assets	5	(6,874)	(6,603)
Depreciation of tangible assets	6-7	(11,526)	(11,155)
Other adjustment		(729)	(763)
Total amortisation, depreciation and write-downs		**(19,130)**	**(18,522)**
Provisions	13-17	(2,519)	(2,915)
EBIT		**135,653**	**117,040**
Financial income and expenses			
Financial income	24	21,611	14,267
Financial expenses	24	(28,611)	(14,187)
Total financial income (expenses)		**(7,001)**	**80**
Income (losses) from equity investments		(4,723)	57
Profit before taxes		**123,930**	**117,177**
Income taxes	10-26	(38,267)	(38,763)
Profit for the period		**85,663**	**78,414**
EPS (Euro)		2.80	2.56
EPS diluted (Euro)		2.80	2.56

Note:

(1) Sales revenues include transactions with the Group's entities for 351.2 and 311.2 million euros, respectively, in the fiscal year 2015 and 2014.

Statement of Comprehensive Income

euro 000's	Notes	Year 15	Year 14
Profit/(loss) for the period (A)		**85,663**	**78,414**
Other Comprehensive Income that will be reclassified subsequently to profit and loss:			
Gain/(Losses) on derivative financial instruments (cash flow hedge)	16.3	3,655	(9,300)
Total other Comprehensive Income that will be reclassified subsequently to profit and loss (B)		**3,655**	**(9,300)**
Other Comprehensive Income that will not be reclassified subsequently to profit and loss:			
Cumultated actuarial gains/(losses) on defined benefit plans	18	511	(1,018)
Total other Comprehensive Income that will not be reclassified subsequently to profit and loss (C)		**511**	**(1,018)**
Total Comprehensive Income (A)+(B)+(C)		**89,828**	**68,096**

Statement of Financial Position

euro 000's	Notes	12.31.15	12.31.14
Non current assets			
Intangible fixed assets			
Assets with indefinite useful life	5	150,919	150,919
Others	5	25,355	27,163
Total intangible fixed assets		**176,274**	**178,082**
Tangible fixed assets			
Buildings and land	6	56,732	45,878
Plant and machinery	6	12,241	7,486
Equipment	6	11,352	13,188
Leasehold improvement	6	4,623	5,422
Others	6	6,019	16,204
Total property, plant and equipment		**90,967**	**88,178**
Other assets			
Investments properties	8	29	32
Equity investments	9	179,490	174,422
Deferred tax assets	10		
Others	11	2,640	2,571
Total other assets		**182,159**	**177,025**
Total non-current assets		**449,400**	**443,285**
Current assets			
Inventories	12	185,954	179,788
Trade receivables (1)	13	213,499	196,968
Tax receivables	13	9,136	16,691
Derivative financial instruments	14	1,427	93
Others	13	25,233	28,384
Cash and cash equivalents	15	85,696	36,440
Total current assets		**520,945**	**458,364**
Total assets		**970,344**	**901,649**

to be continued

Note:
(1) Trade receivables include receivables from Group's entities for 126.6 and 119.3 million euros, respectively, at December 31st, 2015 and December 31st, 2014.

continuing

euro 000's	Notes	12.31.15	12.31.14
Shareholders' equity			
Share Capital	16	61,219	61,219
Capital reserves	16	213,975	213,975
Treasury stock	16		
Hedging reserve	16	(4,356)	(8,011)
Retained earnings	16	315,364	298,626
Profit/(Loss) for the period	16	85,663	78,414
Shareholders' equity		**671,866**	**644,223**
Non-current liabilities			
Provisions for risks	17	5,424	4,048
Deferred tax liabilities	10	16,824	19,499
Employee benefits	18	7,676	8,409
Derivative financial instruments	14	8,598	5,836
Bank borrowings	19	43,530	3,199
Other	20	14,990	16,189
Total non-current liabilities		**97,042**	**57,180**
Current liabilities			
Trade payables (2)	21	134,931	147,248
Tax payables	21	10,468	5,333
Derivative financial instruments	14	2,645	10,732
Other	21	46,877	36,715
Bank	19	6,515	219
Total current liabilities		**201,436**	**200,247**
Total Shareholders' equity and liabilities		**970,344**	**901,649**

Note:

(2) Trade payables include payables to Group's entities for 10.7 and 10.5 million euros, respectively, at December 31st, 2015 and December 31st, 2014.

Statement of Cash Flows

euro 000's	Notes	Year 15	Year 14
Profit/(Loss) for the period		**85,663**	**78,414**
Non-cash adjustments:			
Amortizat., deprec., revaluat., and write-downs	5-6-7-8-10-12-13	27,798	16,816
Change in reserve for employee	18	(222)	(112)
Change in deferred tax assets/liabilities	10	(2,675)	(780)
Other non monetary expenses/(income)	14-16-17	(1,628)	12,193
Cash flow (A)		**108,937**	**106,531**
Change in current assets and liabilities:			
Inventories	12	(10,399)	(22,807)
Trade receivables	13	(16,244)	(27,545)
Tax receivables	13	7,555	(5,907)
Other current assets	13	2,550	(616)
Trade payables	21	(12,317)	9,148
Tax payables	21	5,135	170
Other current liabilities	21	9,195	3,363
Change in current assets and liabilities (B)		**(14,526)**	**(44,194)**
Cash flow from operations (C) = (A)+(B)		**94,411**	**62,338**
Net investments in intangible and tangible assets	5-6	(20,106)	(28,629)
(Increase) decrease of equity investments	9	(9,791)	(17,954)
Reduction (increase) of other non-current assets	11	(69)	756
Cash flow generated (used) in investment activities (D)		**(29,966)**	**(45,827)**
Dividends paid	16	(61,219)	(82,645)
Loans to subsidiaries	19	600	2,418
Changes in long term borrowings/other non-current liabilities	19-20	45,428	(2,011)
Capital increase	16		
Others changes in Equity	16		
Cash flow generated (used) in financing (E)		**(15,191)**	**(82,239)**
Cash flow generated (used) (F)=(C)+(D)+(E)		**49,255**	**(65,729)**
Net cash and cash equivalents at the beginning of the period		36,440	102,169
Net cash and cash equivalents at the end of the period		85,696	36,440
Change in net cash and cash equivalents		**49,255**	**(65,729)**

Statement of Changes in Equity

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**

Year 2014 euro 000's	Share capital	Capital reserves	Hedging reserve	Retained earnings	Total
Balances as of 01.01.14	**61,219**	**213,975**	**1,289**	**383,629**	**660,112**
Profit & Loss account				78,414	78,414
Directly in equity			(9,300)	(1,018)	(10,318)
Total Comprehensive Income			**(9,300)**	**77,396**	**68,096**
Dividends				(82,645)	(82,645)
Capital increase					
Share based payments					
Other				(1,340)	(1,340)
Balances as of 12.31.14	**61,219**	**213,975**	**(8,011)**	**377,040**	**644,223**

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, 2015 TOD'S S.p.A. share capital is owned by DI.VI. FINANZIARIA of DIEGO DELLA VALLE & C. S.r.l. for 54.37%.
The consolidated financial statements has been prepared by the Board of Directors of TOD'S S.p.A. on March 14th, 2016 for the approval of the shareholders meeting on April 20th, 2016 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, 2014, except for the information reported below in relation to any amendments, interpretations and new accounting standards applicable from January 1st, 2015.

Accounting standards, amendments and interpretations endorsed by the European Union, which will be applicable from January 1st, 2015 and which were first adopted in TOD'S S.p.A. separate financial statements at December 31st, 2015

•IFRIC 21 – Levies. This interpretation was published on May 20th, 2013 and provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. Specifically, this interpretation states that a liability must be recognised at the time of the occurrence of the event, which is normally specified in the legislation introducing a new duty/tax generating the obligation, even if the obligation is measured on past performances. The interpretation should have been applied retrospectively, subject to prior endorsement, for periods beginning on January 1st, 2014. The process for endorsement that was completed with the publication in the Official Journal on June 14th, 2014 delayed its application on the part of the European Union and has been applicable for periods beginning on or after June 17th, 2014 (for the TOD'S Group, from January 1st, 2015). The new standard has had no impact on the Company.

• "Annual Improvements to IFRSs: 2011-2013 Cycle" – This document, which was published in December 2013, is aimed at adopting the proposed amendments to the standards within the annual improvements process. The main amendments involve the IAS/IFRS and the issues reported below: IFRS 1 First-time Adoption of International Financial Reporting Standards – Meaning of "effective" IFRSs; IFRS 3 – Business Combinations – Scope exception for joint ventures; IFRS 13 Fair Value Measurement – Scope of paragraph 52 (portfolio exception); IAS 40 Investment Property – Interrelationship between IFRS 3 and IAS 40. The process for endorsement by the European Union was completed with the publication in the Official Journal on December 19th, 2014. The amendments will be applicable for periods beginning on or after July 1st, 2014 (for the TOD'S Group, from January 1st, 2015). The new standard has had no impact on the Company.

• "Annual Improvements to IFRSs: 2010-2012 Cycle" - This document, which was published on December 12nd, 2013, is aimed at adopting the proposed amendments to the standards within the annual improvements process. The main amendments involve the IAS/IFRS and the issues reported below: IFRS 2 Share-based Payment - Definition of vesting conditions; IFRS 3 Business Combinations – Accounting for contingent consideration; IFRS 8 Operating Segments - Aggregation of operating segments; IFRS 8 Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets; IFRS 13 Fair Value Measurement - Short-term receivables and payables; IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Revaluation method: proportionate restatement of accumulated depreciation; IAS 24 Related Party Disclosures - Key management personnel. The process for endorsement by the European Union was completed with the publication in the Official Journal on January 9th, 2015. The amendments will be applicable for periods beginning on or after 1 July 2014 (for the TOD'S Group, from January 1st, 2015). The new standard has had no impact on the Company.

• Amendments to IAS 19 – Employee contributions to defined benefit plans. On November 21st, 2013, the IASB published some minor amendments to IAS 19 – Employee benefits, concerning the accounting for contributions to defined benefit plans from employees or third parties in specific cases, to be recognised as a reduction in the service cost for the period. The process for endorsement by the European Union was completed with the publication in the Official Journal on January 9th, 2015. These amendments will be applicable retrospectively for periods beginning on or after July 1st, 2014 (for the Company, from January 1st, 2015). The new standard has had no impact on the Company.

Accounting standards, amendments and interpretations endorsed by the European Union, which will be applicable from January 1st, 2016 and which have not been adopted early by TOD'S S.p.A..

• Accounting for Acquisitions of Interests in Joint Operations (amendments to IFRS 11): this amendment, which was published in May 2014 and was approved by the European Union in November 2015, is aimed at clarifying the accounting treatment to be applied to the acquisitions of interests in a Joint operation that constitutes a business. In the application of IFRS 3, the investor is required to measure any acquired assets and liabilities at their related fair value, to calculate final transaction 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. It is expected that the application of this standard will have no impact on the Company.

• Amendments to IAS 16 and IAS 41, Agriculture, Bearer Plants: the amendment, which was published in June 2014 and was approved by the European Union in November 2015, is aimed at changing the method to measure the assets constituted by bearer plants (e.g. grape vines, rubber trees and oil palms, etc.), which are expected to be included under property, plant and equipment (IAS 16) and to be excluded from biological assets (IAS 41). It is expected that the application of this standard will have no impact on the Company.

• Clarification of Acceptable Methods of Depreciation and Amortisation (amendments to IAS 16 and IAS 38): the amendment, which was published in May 2014 and was approved by the European Union in December 2015, is 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 this asset and does not consider the consumption of the economic benefits embodied in the asset itself. It is expected that the application of this standard will have 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 proposed 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. It is expected that the application of this standard will have no significant impact on the Company.

• Disclosure Initiative (IAS 1): this amendment, which was published in December 2014 and was approved by the European Union in December 2015, is aimed at introducing some clarifications and concepts with reference to the materiality, the methods of aggregation and the presentation of partial information, the structure of the notes and the description of the accounting standards actually applied. This standard only applies to the presentation of disclosures and has no impact on the main indicators.

• Amendments to IAS 27 – Equity method in separate financial statements: this amendment, which was published in August 2014 and was approved by the European Union in December 2015, is aimed at providing, in the preparation of the separate financial statements, for the possibility of using the equity method in addition to the other methods described (cost, IFRS 9/IAS 39) in accounting for interests in subsidiaries, joint ventures and associates. It is expected that the application of this standard will have no significant impact on the Company.

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. The IASB expects to adopt it from 2016.

From a first preliminary review it results that a future adoption of the new standard should have no significant impact on the Company's financial statements.

• 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. 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.

From a first preliminary review it results that a future adoption of the new standard should have no 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 development 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.

From a first preliminary review it results that a future adoption of the new standard should have no significant impact on the Company's financial statements.

• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Asset between an Investor and its Associate or Joint Venture (issued on 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 on December 17th, 2015 did not decided yet the adoption date.

From a first preliminary review it results that a future adoption of the new standards should have no significant impact on the Company's financial statements.

• Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (issued on December 18th, 2014). The document provides for the investment companies that meet the definition set out in the standard to be exempted from the obligation to present the consolidated financial statements and to be required to measure their investees according to the fair value method set out under IFRS 9. The IASB expects to adopt it in 2016.

From a first preliminary review it results that a future adoption of the new standards should have no significant impact on the Company's financial statements.

• IFRS 16 - Leases: The International Accounting Standards Board (IASB) issued IFRS 16 Leases in January 2016. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). IFRS 16 does not change the accounting for services IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations). IFRS 16 defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment.

Considering the recent publication of the above mentioned standard, it's been not analysed yet the impacts on the Company. For outstanding lease agreements minimum payments see Note 19.4.

• Amendment IAS 12: The International Accounting Standards Board (IASB) amended IAS 12. The amendment clarify how to recognise deferred tax assets related to liabilities measured at fair value. The amendments will be applicable from January 1st, 2017.

From a first preliminary review it results that a future adoption of the new standard should have no significant impact on the Company's financial statements.

• Amendment IAS 7: The International Accounting Standards Board (IASB) amended IAS 7. The amendment requires disclosures for changing of financial liabilities with the aim to improve disclosures for investors . The amendments will be applicable from January 1st, 2017.

From a first preliminary review it results that a future adoption of the new standard should have no significant impact on the Company's financial statements.

The standards listed above are not applicable as they have not been endorsed by the European Union, which, during the process of endorsement, could adopt these standards only partially or could not adopt them at all.

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 in accordance with IFRS 3 and the fair value of consideration transferred including the amount of any non-controlling interests recognised.

If the company's interest in the fair value of assets, liabilities, and identifiable potential liabilities exceeds the cost of the acquisition (negative goodwill) after redetermination of these values, the excess is immediately recognized on the profit and loss account.

For acquisitions prior to January 1st, 2005, the date of transition to IAS/IFRS, goodwill retained the values recognized on the basis of the previous Italian GAAP, net of accumulated amortization up to the transition date.

Goodwill is recognized on the financial statements at its cost adjusted for impairment losses. It is not subject to amortization, but the adequacy of the values is annually subjected to the impairment test, in accordance with the rules set forth in the section *Impairment losses*.

ii. Trademarks. These are recognized according to the value of their cost and/or acquisition, net of accumulated amortization at the date of transition to IAS/IFRS. Trademarks TOD'S, HOGAN and FAY are classified as intangible fixed assets with an indefinite useful life and thus are not amortized, insofar as:

- they play a primary role in company strategy and are an essential driver thereof;
- the corporate structure, construed as organized property, plant, and equipment, and organization itself in a figurative sense, is closely correlated with and dependent on dissemination and development of the trademarks on the markets;
- the trademarks are proprietary, properly registered, and constantly protected pursuant to law, with options for renewal of legal protection, upon expiration of the registration periods, that are not burdensome, easily implemented, and without external impediments;
- the products sold by the company with these trademarks are not subject to particular technological obsolescence, which is characteristic of the luxury market in which the company operates; on the contrary, they are consistently perceived by the market as being innovative and trendy, to the point of being models for imitation or inspiration;
- in the national and/or international context characteristic of each trademark, they are distinguished by market positioning and notoriety that ensures their dominance of the respective market segments, being constantly associated and compared with benchmark brands;
- in the relative competitive context, it can be affirmed that the investments made for maintenance of the trademarks are proportionately modest with respect to the large forecast cash flows.

The adequacy of the values is annually subjected to the impairment test, in accordance with the rules set forth in the section *Impairment losses*.

iii. Research and development costs. The research costs for a project are charged fully to the profit and loss account of the period in which they are incurred.

The development costs of an activity are instead capitalized if the technical and commercial feasibility of the relative activity and economic return on the investment are certain and definite, and the company has the intention and resources necessary to complete the development.

The capitalized costs include the costs for materials, labor, and an adequate portion of 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.

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 Group's activity.

If it is not possible to estimate an independent financial flow for an individual asset, the cash generating unit to which the asset belongs and with which it is possible to associate future cash flows that can be objectively determined and independent from those generated by other operating units is identified. Identification of the cash generating units was carried out consistently with the organizational and operating architecture of the Group.

If the impairment test reveals an impairment loss for an asset, its book value is reduced to the recoverable value by posting a charge on the profit and loss account.

When the reasons for a write-down cease to exist, the book value of the asset (or the cash generating unit), with the exception of goodwill, is increased to the new value resulting from the estimate of its recoverable value, but not beyond the net book value that the asset would have had if the impairment loss had not been charged. The restored value is recognized immediately on the profit and loss account.

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 periodically subjected to the impairment test, as envisaged by IAS 36, and adjusted for any impairment losses.

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. TOD'S Group doesn't held any assets and liabilities held for sale.

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.

iii. **Share based payments.** The payments based on shares are assessed at their fair value on the assignment date. This value is recognized on the profit and loss account on a straight-line basis throughout the period of accrual of the rights. This allocation is made on the basis of a management estimate of the stock options that will actually accrue in favor of vested employees, considering the conditions for use thereof not based on their market value.

The fair value is determined by using the binomial method. No share based payments result in the current consolidated financial statements.

3.14 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.

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, 2015 gross of allowances for doubtful accounts:

euro 000's		Overdue			
	Current	0>60	60>120	Over	Total
Third Parties	64,442	17,027	2,566	7,963	91,999

The prudent estimate of losses on the entire credit mass existing at December 31st, 2015 was 5.1 million euros. The total amount of overdue receivables at December 31st, 2015 for 27.6 million euros is now about 7.9 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 the present case, the Company's profitability, together with its capacity to generate cash and its current exposure to the banking system, lead us to consider that the liquidity risk is not significant.

At December 31st, 2015 the Company's liquid assets amounted to 85.7 million euros; its debt exposure was equal to 50 million euros and was made up of both two loan agreements, which had been entered into by the parent company TOD'S S.p.A. during 2015, with BNL S.p.A. (BNP Paribas Group) and Intesa San Paolo S.p.A. respectively, for an amount of 25 million euros each, and which were repayable in 16 quarterly instalments and in one single payment upon expiry of the fourth year, respectively, and two finance lease agreements which were taken over by TOD'S S.p.A. in March 2014 in order to acquire a new industrial building located near the headquarters (see Note 19).

At December 31st, 2015 no amount had been disbursed in relation to the financing transaction entered into by TOD'S S.p.A. on July 23rd, 2014, with two leading banks, which was aimed at setting aside funds to a maximum amount of 400 million euros (Note 21). In relation to this transaction, on January 25th, 2016 TOD'S S.p.A. made a final withdrawal of a total amount of 300 million euros (Note 28), as the period had ended during which the Company could ask the two banks to pay the sums they had made available. The impact of this financing, aimed at the acquisition of the ROGER VIVIER brand (Note 28), on the Company's financial position in the near future, was offset by the capital increase of 207.5 million euros, which had been resolved by the Extraordinary Shareholders' Meeting of TOD'S S.p.A. on January 13th, 2016 and which had been subscribed and paid up in full on January 27th, 2016 (Note 28).

Furthermore, it should be noted that, again on January 27th, 2016, TOD'S S.p.A. entered into a syndicated loan agreement with Crédite Agricole Corporate and Investment Bank and Cassa di Risparmio di Parma e Piacenza S.p.A. (Crédite Agricole Group), whereby a medium/long-term revolving credit facility was granted, in a maximum amount of 100 million euros, in order to borrow the liquid funds needed to meet any possible requirement connected with ordinary sales and general corporate operations. This credit facility will be available for a period of 3 years and.

The Company believes that its capacity to generate cash may allow it 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, 2015 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 2015	FY 2014	FY 2015	FY 2014
CAD	Canada	(75,685.7)	(48,030.8)	83,652.6	53,086.7
CHF	Switzerland	(610.4)	2,245.4	674.7	(2,481.8)
GBP	UK	(10,412.4)	3,508.5	11,508.4	(3,877.8)
HKD	Hong Kong	(84,129.9)	32,775.4	92,985.7	(36,225.4)
JPY	Japan	(24,916.6)	(108,642.0)	27,539.4	120,078.0
KRW	Korea	(4.6)	(20.0)	5.1	22.1
RMB	China	28,275.6	65,694.0	(31,252.0)	(72,610.0)
SGD	Singapore	(9,720.3)	(39,358.2)	10,743.5	43,501.1
USD	USA	(52,582.3)	63,636.7	58,117.3	(70,335.3)
Other	n.a.	(10,623.1)	2,369.8	11,741.3	(2,619.3)
Total		**(240,409.8)**	**(25,821.2)**	**265,716.1**	**28,538.3**

euro 000's	Revaluation/Writedown foreign currency	Impact on pre-tax profit	Impact on Shareholders' equity
FY 2015	5%	265.7	(4,235.9)
	-5%	(240.4)	4,681.7

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. During 2015 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% ans EURIBOR 3m +0.5% respectively. Such loan agreements represent the only one outstanding financial liabilities at December 31st, 2015 at a variable interests rates.

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's practice. At December 31st, 2015 there were, however, two derivative contracts in being (interest rate swaps - IRSs), which were entered into on July 23rd, 2014, to hedge the risk of possible changes in the interest rates on the financing transaction that has already been mentioned, for a maximum amount of 400 million euros (Note 19). These derivatives protect the Company from the risk of a generalised rise in interest rates, swapping the variable rate on the loan (3-months EURIBOR + 110 basis points) for a contractually fixed rate (a quarterly rate of 0.748%). During 2015, the Company, in the normal process of getting an increasing efficiency of financial sources, re-negotiated the spread of the above mentioned loan from 110 to 90 basis point. At December 31st, 2015 no amounts had been paid out yet in connection with the loan underlying the above mentioned hedging transactions, and, as a consequence, at December 31st, 2015 the fair value of IRS (notional amount for 400 million euros) has been recognized in the cash flow hedge reserve (for the portion related to 300 million euros of notional amount) and in the financial charges section of the income statements (for the portion related to 100 million euros of notional amount which is no more considered as an effective hedged instruments) (Note 14). 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, 2015 would have a net pre-tax impact of about 14.7 thousand euros in additional expenses.

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 2015 (Note 14) has been classified as Level 2. 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 Group 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	12.31.15	12.31.14
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 01.01.14	**4,115**	**8,817**	**15,040**	**27,972**
Increases	1,056	3,020	1,859	5,935
Decreases	(136)		(5)	(141)
Impairment losses				
Other changes				
Amortisation of the period	(689)	(3,490)	(2,425)	(6,603)
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 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 9,645 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 1.6 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 01.01.14	**40,698**	**7,254**	**13,661**	**6,078**	**9,566**	**77,257**
Increases	6,547	1,476	6,773	204	8,267	23,267
Decreases		(15)	(169)	(61)	(185)	(431)
Impairment losses			(619)		(144)	(763)
Other changes						
Depreciation of the period	(1,367)	(1,229)	(6,457)	(798)	(1,300)	(11,152)
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**

Land and buildings and Plant and machinery increase is mainly related to the construction, started last year, of a new industrial building located in the Group's headquarters area.
Equipments' increase is mainly related to the industrial tools acquisition for the creation of new collections (lasts and moulds). Other changes are related to the reclassification of the investments under constructions recognised in 2014 in connection with the new industrial building located in the Group's headquarters area, already commented above.
Depreciations of the period, related to properties plant and equipments are 11.5 million euros while 0.7 million euros are related to write offs, reflected in the income statements during the period, of fixed assets no longer used.

7. Impairment losses

The recoverability of the residual value of intangible assets with an indefinite and Equity Investments in subsidiaries ("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 and equity investments in subsidiaries 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 equity investments 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 2016 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 2016 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 of 33%. 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 8.50% was used (the WACC rate used at December 31st, 2014 was 8.59%), 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) and equity investments in subsidiaries (worth 179.5 million euros at December 31st, 2015) showed impairment indicators in connection with the investment hold in the controlled entity TOD'S Brazil Ltda. As a consequence, the total carrying amount of such investment has been impaired for 4.7 million euros, because it's not reasonably predictable, as of today, to recover the carrying amount with future cash flows.

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). 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, 2015 was euro 29 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	(83)
Balance as of 01.01.15	**32**
Increases	
Decreases	
Amortisation of the period	(4)
Balance as of 12.31.15	**29**

9. Investments in subsidiaries, joint ventures and associated companies

On March 5th, 2015 it's been constituted TOD'S Austria Gmbh owned 100% by TOD'S S.p.A.. On January 22nd, 2016 the company Partecipazioni Internazionali S.r.l. changed its name in Roger Vivier S.p.A..

Information about the subsidiaries follows below:

Company	Currency	Shareholders' equity	Net profit (loss)	Book value (euro)
TOD'S Deutsch. Gmbh Dusseldorf - Germany S.C. - euro 153,387.56 % direct held: 100%	euro	12,314,754.88	1,729,129.91	3,153,388
TOD'S France Sas Parigi - France S.C. - euro 780,000 % direct held: 100%	euro	20,888,774.67	2,007,533.65	4,800,136

Company	Currency	Shareholders' equity	Net profit (loss)	Book value (euro)
An.Del. USA Inc. (*) New York - U.S.A S.C. - Usd 3,700,000 % direct held: 100%	usd	32,757,032.37	795,854.31	34,656,432
TOD'S Internat. BV (*) Amsterdam – The Netherlands S.C. - euro 2,600,200 % direct held: 100%	euro	200,504,981.88	8,676,688.72	36,170,663
Del.Com S.r.l. (*) S.Elpidio a Mare – Italy S.C. - euro 31,200 % direct held: 100%	euro	44,029,784.46	265,573.98	51,107,501
TOD'S Hong Kong Ltd (*) Hong Kong S.C. - Usd 16,550,000 % direct held: 1%	hkd	1,358,067,173.40	(5,446,731.77)	129,047
Holpaf BV Amsterdam - The Netherlands S.C. - euro 5,000,000 % direct held: 100%	jpy	4,660,078,015	(17,430,871.00)	30,509,936
Un.Del. Kft. Tata - Hungary S.C. – Huf 42,900,000 % direct held: 10%	huf	242,712,755.61	(42,596,671.75)	18,054
TOD'S Macao Lda Macao S.C. - Mop 20,000,000 % direct held: 1%	mop	62,186,146.98	9,408,111.01	18,551
TOD'S Brasil Limitada Sao Paulo - Brazil S.C. - Brl 14,000,000 % direct held: 90%	brl	2,740,809.00	(3,123,989.47)	-
Partecipazioni Internaz. S.r.l. (*) S.Elpidio a Mare – Italy S.C. - euro 957,486 % direct held: 100%	euro	21,713,105.99	684,707.40	16,657,486
Tod's Danmark A.P.S. Copenhagen – Denmark S.C. - Dkk 500,000 % direct held: 100%	dkk	13,182,101.75	(2,136,893.79)	2,067,817
Tod's Austria Gmbh Vienna – Austria S.C. - Eur 50,000 % direct held: 100%	eur	100,693.10	50,693.10	50,000

(*) The figures for the companies that are directly controlled through sub holdings are reported on the Consolidated Financial Statement of TOD'S Group.

The investment hold in the controlled entity TOD'S Brazil Ltda has been impaired in the year 2015, as a consequence, the total carrying amount of such investment has been written off for 4.7

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 16,824 thousand euros (FY 2014: liability for 19,499 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 opening balance of deferred tax assets/liabilities has been adjusted in order to reflect the changing of Italian corporate tax rate applicable starting from 2017 (art. 77 c.1 L.208/15), posting a positive adjustment for 3.2 million euros. 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	12.31.15	12.31.14
	Net liabilities	Net liabilities
Property, plant and equipment	(2,857)	(3,495)
Intangible fixed assets	(28,476)	(29,496)
Inventory (devaluation)	5,991	5,246
Derivative financial instruments	1,652	3,038
Costs deductible over several years	6,483	5,362
Reserves for employees	(189)	(215)
Provisions for risks and charges	328	337
Other	242	(275)
Total	**(16,824)**	**(19,499)**

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	12.31.15	12.31.14	Change
Raw materials	53,756	64,066	(10,311)
Semi-finished goods	10,693	9,092	1,602
Finished products	142,355	123,246	19,109
Write-downs	(20,850)	(16,617)	(4,234)
Total	**185,954**	**179,788**	**6,165**

The allowance for inventory write-downs reasonably reflects the technical and stylistic obsolescence of the Group's inventories at December 31st, 2015. During the year, inventory write-downs has been used for 1.1 million euros (2.8 million euros in 2014); the amount accrued during FY 2014 totalled 5.3 million euros (1.6 million euros in 2014).

13. Trade receivables and other current assets

13.1 Trade receivables.

euro 000's	12.31.15	12.31.14	Change
Third parties	91,999	83,006	8,992
Subsidiaries	126,578	119,326	7,252
Allowances for doubtful accounts	(5,077)	(5,364)	287
Net trade receivables	**213,499**	**196,968**	**16,531**

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	12.31.15	12.31.14
Balance as of 01.01.15	**5,364**	**5,871**
Increase	800	800
Decrease	(1,087)	(1,307)
Balance as of 12.31.15	**5,077**	**5,364**

13.2 Tax receivables. Totalling 9,136 thousand euros (FY 2014: 16,691 thousand euros), they are mainly represented by VAT receivables. The change in respect of the previous year is mainly due to the fulfilment of tax receivables related to corporate income taxes recognised last December 31st, 2014.

13.3 Other.

euro 000's	12.31.15	12.31.14	Change
Prepaid expenses	2,286	2,853	(567)
Financial assets	1,400	2,000	(600)
Others	21,547	23,531	(1,984)
Total	**25,233**	**28,384**	**(3,150)**

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	12.31.15	12.31.14	Change
Current account overdraft	1,400	2,000	(600)
Financing within 12 months			-
Total current assets	**1,400**	**2,000**	**(600)**
Financing beyond 12 months	-	-	-
Total financial assets	**1,400**	**2,000**	**(600)**

The amount of 1,400 thousand euros refers to a credit facility, with a duration of one year, granted to the subsidiary Partecipazioni Internazionali S.r.l. for a maximum amount of 10 million euros, accruing arm's length interests.

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 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. 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	31,450	28,888		
Hong Kong Dollar	509,500	60,384		
Japanese Yen			2,600,000	19,837
British Pound	20,550	27,999		
Swiss Franc	10,600	9,783		
Chinese Renmimbi	409,000	57,925		
Canadian Dollar	7,850	5,193		
Brazilian Real	2,154	500		
Total		**190,672**		**19,837**

At the same date, the net fair value of foreign currency hedges on exchange rate risks was 1,218 thousand euros, positive for 1,427 thousand euros (FY 2014: 93 thousand euros) and negative for 2,645 thousand euros (FY 2014: 10,731 thousand euros). The net fair value of foreign currency hedges that were earmarked for cash flow hedges was 139 thousand euros at December 31st, 2015.

Against the contracts for these last hedges, which were closed between January and December 2015, 15,980 thousand euros in hedge derivatives were transferred to the profit and loss account, recognised as a decrease in revenues.

At December 31st, 2015 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 a variable rate loan transaction that was completed on the same date in order to set aside funds to a maximum amount of 400 million euros (Note 19). These derivative contracts, having an overall notional amount equal to the maximum value of the amounts made available to TOD'S S.p.A. (of which an amount of 200 million euros was raised from Crédit Agricole and an amount of 200 million euros was raised from Mediobanca), protect the Company from the risk of a generalised rise in interest rates, swapping the variable rate on the loan (3-months EURIBOR + 90 basis points) for a contractually fixed rate (a quarterly rate of 0.748%).

At December 31st, 2015 no amounts had been paid out yet in connection with the loan underlying the above mentioned hedging transactions, while on January 25th, 2016 it's been drawn down the definite amount of 300 million euros because the period of availability expired. As a consequence, at the reporting date, the fair value of the above mentioned derivatives, computed on a notional amount of 300 million euros, has been recognised in the cash flow hedge reserve for 4.675 thousand euros, net of related deferred tax effect, because it relates to financial instruments designated to hedge the above mentioned loan (high probable forecasted transactions), while the fair value of the derivatives computed on the residual amount of 100 million euros has been recognised in the financial expenses of the income statements for 2,149 thousand euros because it relates to financial instruments no more designated for hedging purposes of the above mentioned loan. The total financial derivative liability of the IRS, for 8,598 thousand euros, has been represented within the non-current liabilities in accordance with the period on which the effects will be generated.

15. Cash and cash equivalents

Cash and cash equivalents are related to cash and bank deposits for 85,696 thousand euros (36,440 thousand euros at December 31st, 2014). For further information see the statement of cash flow.

16. Shareholders' equity

16.1 Share Capital. At December 31st, 2015, the company share capital totalled 61,218,802 euros, and was divided into 30,609,401 shares 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. At December 31st, 2015, Mr. Diego Della Valle, President of the Board of Directors, hold, directly and indirectly, 57.471% of TOD'S S.p.A. share capital. At December 31st, 2015 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 213,975 thousand of euros as of December 31st, 2015. Such reserve has not changed in respect of last year.

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 319 thousand euros, net of tax effects, and the measurement of IRS in connection with hedging of interest rate risks, which is negative for 4,675 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, 2015, that will be transferred to the income statement when forecast transactions will be realized.

euro 000's	Hedging reserve
Balance as of 01.01.14	**1,289**
Change in fair value of hedging derivatives	(12,240)
Transfer to Profit and Loss Account of hedging derivates	2,940
Other	
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 12.31.15	**(4,356)**

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 01.01.14	**282,127**	**101,502**	**383,629**
Allocation of 2013 result	18,856	(18,856)	
Dividends		(82,645)	(82,645)
Profit for the period		78,414	78,414
Other changes	(2,358)		(2,358)
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 12.31.15	**315,364**	**85,663**	**401,028**

Other changes for 2014 and 2015 are mainly related to the use of the reserve for promoting territorial solidarity projects, 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	Possibility	Available	Use in the preceding 3 years	
Description	of use	amount	Coverage of losses	Others
Capital reserves				
Share capital	---	---	-	-
Share premium	A,B,C	(1) 213,975	-	-
Stock options reserve		-		
Hedging reserve				
Hedging reserve		-		
Retained earnings				
Legal	B	12,244	-	-
Extraordinary	A,B,C	286,382	-	107,133

(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 2015, the parent company TOD'S S.p.A. paid to the shareholders dividends for the net income realised in 2014. The aggregate amount of paid dividends is 61.2 million euros, at the rate of 2.0 euros for each of the 30,609,401 shares representing the share capital at the coupon detachment date (May 18th, 2015). Regarding the net profit for FY 2015, totalling 85,663,205.68 the Board of Directors has proposed to distribute a dividend for 2.0 euros per share, totalling 66,187,078 euros in accordance with the current shares. The dividend is subject to approval by the annual Shareholders' Meeting in April 20th, 2016, and was not included among the liabilities reported on this balance sheet.

17. Provisions and contingent liabilities and assets

17.1 Provisions. They include 5,424 thousand euros (4,048 thousand euros in 2014) 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 1,719 thousand euros (2,115 thousand euros) while the provision used during the year was 143 thousand euros (796 thousand euros) and the reversal was 200 thousand euros.

17.2 Contingent liabilities and other commitments

i. Guarantees granted to others. A total of euro 63,212 thousand euros been granted to others at December 31st, 2015 (78,785 thousand euros in 2014). The amount is mainly related to guarantees granted to secure the contractual commitments of subsidiaries, comprised for 59,520 thousand euros to bank credit lines provided to the subsidiaries, for which the company acts as guarantor (FY 2014: 64,880 thousand euros).

ii. Guarantees received from third parties. Guarantees received by the company from banks as security for contractual commitments totalled 7,658 thousand euros (7,633 thousand euros in 2014).

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 2015, the residual face value of the principal for the two bonds amounted to JPY 2,513 million (19.2 million euros).

17.3 Derivative financial instruments. For a detailed analysis of derivative financial instruments, used for the coverage of transaction in foreign currency, please see Note 14. All derivative contracts made with leading financial institutions will expire in 2016. Furthermore, the Company entered into two derivative contracts to hedge the risk associated with fluctuations in the interest rates on a variable rate loan agreement entered into with two leading banks (Notes 14 and 19). The effects of these derivative contracts will mature during the set term of the underlying loan agreement, with the exception of what have been already commented in the Note 14.

17.4 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	2015	2014
2015		6.5
2016	6.1	5.9
2017	5.0	4.8
2018	3.6	3.4
2019	2.6	2.4
2020	2.4	
Over 5 years	4.8	6.8
Total	**24.4**	**29.7**

Operating lease instalments, included in the item Costs of use of third party assets, totalled euros 7.7 million in fiscal year 2015 (FY 2014: 7.5 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: 2.03%

[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.

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

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

The table below shows the variation of the liability occurred in 2015:

euro 000's	Year 2015	Year 2014
Opening balance	**8,409**	**7,504**
Service costs		
Interest costs	127	244
Benefits paid	(349)	(343)
Actuarial (gains)/losses	(511)	1,018
Other		(13)
Closing balance	**7,676**	**8,409**

19. Financial liabilities

euro 000's	12.31.15	12.31.14	Change
Current account overdraft			
Financing	50,045	3,418	46,627
Total	**50,045**	**3,418**	**46,627**

The exposure to the bank system is related to two loan agreements signed in the first half of 2015 between 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
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, 2015.

In addition to the above mentioned loan agreements, financial liabilities include even two financial lease agreements in which TOD'S S.p.A. got in on March 2014 in order to purchase a new industrial building located next to the headquarter of the Company.

The table below illustrates the breakdown of financial liabilities, which include the accrual for interests at the reporting date.

euro 000's	Leasing	Medium and long term loan (BNL)	Medium and long term loan (Intesa)	Total
2016	228	6,264	23	6,515
2017	238	6,250	-	6,488
2018	248	6,250	-	6,498
2019	259	3,125	24,934	28,318
2020	270	-	-	270
Over 5 years	1,956	-	-	1,956
Total	**3,199**	**21,889**	**24,957**	**50,045**

The financial liability related to the above mentioned lease agreements have been initially recognized at fair value.

Moreover, it should be noted that on July 23rd, 2014 TOD'S S.p.A. entered into a variable rate loan agreement with two leading banks, which was aimed at setting aside funds for a maximum amount of 400 million euros. The funds will remain available for a period of eighteen months from the date of the execution of the agreement, during which the Company may require the disbursement of the loan in one or more than one tranche at the terms and conditions laid down therein, which provide for the application of a variable interest rate (3-month EURIBOR + 90 basis points) on the sums paid out. To hedge the risk arising from interest rate fluctuations, the Company has entered into two hedging derivative contracts (Note 14), swapping the variable rate set as per contract for a quarterly fixed rate of 0.748%. At December 31st, 2015 no amount had been paid out yet in relation to this loan.

20. Other non-current liabilities

The balance for this item, 15 million euros (16.2 million euros at December 31st, 2014), refers for about 11.6 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 0.7 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	12.31.15	12.31.14	Change
Third parties	124,225	136,781	(12,556)
Subsidiaries	10,706	10,467	239
Total	**134,931**	**147,248**	**(12,317)**

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, 2015 tax payables are 10,468 thousand euros and they mainly relate to corporate income taxes accrued for the period, net of tax installments already paid during the year (5,333 thousand euros in 2014).

21.3 Other.

euro 000's	12.31. 15	12.31. 14	Change
Payables to employees	6,862	5,823	1,039
Social security institutions	4,366	4,249	116
Others	35,650	26,643	9,007
Total	**46,877**	**36,715**	**10,163**

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 4.1 million euros, the current portion of estimate of returns at the end of the financial year for 18.1 million euros and other liabilities versus subsidiaries for 8.7 million euros.

22. Revenues

Net sales during the year totalled 721.8 million euros (672.3 million euros in 2014). For further comments on sales revenues see the report on operations.

The item "Other revenues and income" amounts 6.8 million euros (7.4 million euros in 2014) and it mainly includes active royalties and insurance reimbursements.

23. Personnel costs

The personnel costs incurred by the Group in FY 2015 as compared with those for FY 2014 are illustrated as follows:

euro 000's				% on revenues	
	Year 2015	Year 2014	Change	2015	2014
Wages and salaries	60,980	57,479	3,501	8.4	8.5
Social security contribution	19,093	17,829	1,264	2.6	2.7
Employee sev. indemn.	3,982	3,708	274	0.6	0.6
Total	**84,054**	**79,016**	**5,038**	**11.6**	**11.8**

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

	12.31.15	12.31.14	Aver. 15	Aver. 14
Executives	38	39	39	40
White-collar Employees	853	837	868	833
Blue-collar Employees	873	858	870	856
Total	**1,764**	**1,734**	**1,777**	**1,729**

24. Financial income and expenses

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

euro 000's	Year 2015	Year 2014	Change
Income			
Interest income on current account	223	584	(362)
Foreign exchange gains	20,978	13,386	7,592
Other	410	296	114
Total income	**21,611**	**14,267**	**7,344**
Expenses			
Interest on medium-long term financing	(147)	(8)	(139)
Foreign exchange losses	(24,106)	(12,838)	(11,268)
Other	(4,358)	(1,341)	(3,017)
Total expenses	**(28,611)**	**(14,187)**	**(14,424)**
Total net income and expenses	**(7,001)**	**80**	**(7,080)**

Other financial expenses include, for 2,149 thousand euros, the negative fair value of financial instruments no more designed for hedge accounting in connection with the notional amount of 100 million euros (Note 14) of 400 million euros related to the loans already commented above (Notes 14 and 19).

25. Income 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 4,723 thousand euros (Note 7).

26. Income taxes

The tax liability for fiscal 2015 (current and deferred) was 38.3 million euros, giving a tax rate of 30.9% (FY 2014: 33.1%), Income taxes for the period are broken down into current and deferred taxes, as follows:

euro 000's	Year 15	Year 14	Change
Current taxes	42,295	35,983	6,312
Deferred taxes	(4,028)	2,780	(6,808)
Total	**38,267**	**38,763**	**(496)**

The theoretical tax rate for FY 2015 was 35%, 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, 2015. 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	**43,375**	**35%**
Tax effects of non-deductible or partially deductible costs	2,097	1.7%
Non deductible taxes	102	n.s.
Non taxable income	(1,605)	(1.3%)
Other	(2,671)	(2.2%)
Previous year taxes	(3,031)	(2.3%)
Effective income taxes	**38,267**	**30.9%**

Previous year taxes mainly relate to the adjustment of deferred tax assets/liabilities to reflect the changing of Italian corporate tax rate applicable starting from 2017 (art. 77 c.1 L.208/15), posted in the income statements for 3.2 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 15	Year 14
Profit used to determine basic earning per share	85,663	78,414
Dilution effects		
Profit used to determine diluted earning per share	**85,663**	**78,414**

euro 000's For continuing operations	Year 15	Year 14
Net profit of the year	85,663	78,414
Income (loss) from discontinued operations		
Profit used to determine basic earning per share	**85,663**	**78,414**
Dilution effects		
Profit used to determine diluted earning per share	**85,663**	**78,414**

In both fiscal 2015 and 2014, 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 15	Year 14
Weighted average number of shares to determine basic earning per share	30,609,401	30,609,401
Share options		
Weighted average number of shares to determine diluted earning per share	30,609,401	30,609,401

iii.Base earnings per share. Calculation of the base earning per share for fiscal year 2015 is based on the net income allocable to holders of ordinary shares of TOD'S S.p.A., totalling euro 85,663 thousand (78,414 thousand euros in 2014), and on the average number of ordinary shares outstanding during the same period, totalling 30,609,401 (unchanged respect to year 2014). For completeness of information, in case it's been considered a number of shares equal to 33,093,539, including the new shares issued following the total subscription and payment of the capital increase by Gousson - Consultadoria e Marketing S.r.l., resolved by the extraordinary shareholders' meeting of TOD'S on January 13th, 2016, and reserved for same Gousson - Consultadoria e Marketing S.r.l., occurred on January 27th, 2016 (Note 28), earnings per share would have been 2.8 and 2.56 for the period January-December 2015 and January-December 2014 respectively.

iv. Diluted earnings per share. Calculation of the diluted earnings per share for the period January-December 2015 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.

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.

Most significant transactions concluded during the period

During the year 2015 no further transactions with related parties have been concluded except for the ones commented in the following paragraph.

Related party transactions pending at December 31st, 2015

In continuation of contractual relationships already existing in 2014, the Company continued to maintain a series of contractual relationship with related parties (directors/controlling or significant shareholders) in 2015. The principal object of the transactions was the sale of products, lease of sales spaces, show rooms and offices, use of the ROGER VIVIER brand license 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 2015						
Parent Company (*)	13,206	6				1
Directors						
Executives with strat. resp.						
Other related parties						
Total	**13,206**	**6**	**-**	**-**	**-**	**1**
Year 2014						
Parent Company (*)	10,281					2
Directors						
Executives with strat. resp.						
Other related parties						
Total	**10,281**	**-**	**-**	**-**	**-**	**2**

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 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**
Year 2014						
Parent Company (*)	398	42		9,257	3,627	
Directors						
Executives with strat. resp.						
Other related parties						
Total	**398**	**42**	**-**	**9,257**	**3,627**	**-**

iii. Commercial transactions with related parties – Receivables and payables

Receivables and payables	12.31.15		12.31.14	
euro 000's	Receivables	Payables	Receivables	Payables
Parent Company (*)	4,265	5,760	2,448	4,903
Directors				
Exec. with strat. respons.				
Total	**4,265**	**5,760**	**2,448**	**4,903**

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

Given the insignificance of these amounts, they have not been separately listed in the accounts following CONSOB resolution n. 15519 dated July 27th, 2006.

Compensation of Directors, Statutory Auditors, and General Managers

The following table illustrates the compensation accrued in fiscal 2015 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	8.7				
Andrea Della Valle (**)	1,232.1	9.0				
Luigi Abete	31.8	11.0				
Maurizio Boscarato	32.7	9.3				220.0 [2]
Luigi Cambri	32.7	14.2				9.0 [4]
Luca C. di Montezemolo (******)	31.5					
Sveva Dalmasso	22.7	6.1				
Emanuele Della Valle	31.2					
Fabrizio Della Valle (*******)	69.9	2.3				
Romina Guglielmetti	22.7	14.3				
Emilio Macellari (****)	232.7	9.0				480.0 [2]
Vincenzo Manes	22.7	14.0				
Cinzia Oglio	22.7		3.2	31.2	147.6	
Pierfrancesco Saviotti	30.9	14.5				
Michele Scannavini	22.7					32.5 [2]
Stefano Sincini (***)	678.1 [5]	9.0	4.0		464.4	111.0 [1]
Total	**4,349.2**	**121.4**	**7.2**	**31.2**	**612.0**	**852.5**
Statutory Auditors						
Giulia Pusterla (*****)	90.0					
Enrico Colombo	60.0					36.0 [3] [4]
Fabrizio Redaelli	60.0					
Total	**210.0**					**36.0**
Executives with strategic responsibilities		9.0	7.0	42.2	825.7	117.0 [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
(******) Fabrizio della Valle ceased its office On April 22nd, 2015

(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

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 2015 (Notes 13 and 21):

euro 000's		12.31.15			12.31.14		
	N° Companies	Receivables	Payables	Net Revenues/ (cost)	Receivables	Payables	Net Revenues/ (cost)
Italy	5	16,193	692	50,070	14,737	1,533	47,273
Albania	1	-	550	(1,833)	-	176	(1,703)
Austria	1	967	-	2,704	-	-	-
France	2	6,714	2,618	13,362	5,597	1,956	11,157
Germany	1	2,756	568	11,329	3,837	592	10,315
Great Britain	3	5,119	649	18,765	6,476	339	16,884
Denmark	1	211	5	997	-	-	-
Luxembourg	1	-	-	-	15	-	490
Netherlands	2	1,496	7	5,419	1,174	60	4,275
Switzerland	2	4,501	7	13,092	3,992	124	11,844
Spain	1	2,477	80	5,575	1,528	34	4,144
Hungary	1	-	848	(1,840)	0	819	(1,507)
Belgium	1	266	52	897	262	13	815
Usa	12	8,964	2,629	29,724	11,885	2,055	27,864
Japan	2	266	6	663	157	10	721
Hong Kong	2	29,789	1,021	96,898	26,726	756	96,480
Singapore	2	25	1	165	47	3	77
Korea	2	4,647	1	15,428	5,191	579	13,857
Macao	2	11	-	78	9	-	28
China	2	42,123	9,944	45,862	37,502	2,281	36,414
Brazil	1	25	237	719	12	57	1,113
India	1	158	2	72	182	2	44
Total	**48**	**126,710**	**19,915**	**308,145**	**119,327**	**11,390**	**280,586**

The receivables and payables recognised by the Italian companies include the receivables and payables resulting from the tax consolidation programme, totalling 132 thousand euros and 499 thousand euros, respectively.

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

euro 000's	Financing	
	12.31.15	12.31.14
PARTECIPAZIONI INTERNAZIONALI S.r.l.	1,400	1,200
ROGER VIVIER FRANCE SAS		800
Total	**1,400**	**2,000**

29. Events and significant non-recurring transactions

Pursuant to Consob Communication No. DEM/6064293 of July 28th, 2006, the company did not carry out any significant non-recurring operations in 2015.

30. Independent Auditors compensation

Pursuant to Article 149-*duodecies* of the Issuers Regulation, the compensation received in FY 2015 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.	138
Auditing services	PricewaterhouseCoopers S.p.a.	Subsidiaries	32
Totale PricewaterhouseCoopers S.p.a.			**310**
Auditing services	PricewaterhouseCoopers (Network)	Subsidiaries	166
Other services	PricewaterhouseCoopers (Network)	TOD'S S.p.A.	296
Other services	PricewaterhouseCoopers (Network)	Subsidiaries	114
Totale PricewaterhouseCoopers (Network)			**576**

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

In addition to the information reported in the previous paragraph, it should be noted that, on January 27th, 2016, TOD'S S.p.A. entered into a syndicated loan agreement with Crédite Agricole Corporate and Investment Bank and Cassa di Risparmio di Parma e Piacenza S.p.A. (Crédite Agricole Group), whereby a medium/long-term revolving credit facility was granted, in a maximum amount of 100 million euros, in order to borrow the liquid funds needed to meet any possible requirement connected with ordinary sales and general corporate operations. This credit facility will be available for a period of 3 years and, as of today's date, it has not yet been used.

32. 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, 2015 to December 31st, 2015.

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, 2016

Stefano Sincini
Chief Executive Officer

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