TOD'S s.p.a.

2014 Annual Report

(Translation of the 2014 Annual Report approved in Italian solely for the convenience of international readers)

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Letter to our Shareholders

Dear Shareholders,

The year that has just passed was less favourable for luxury sector companies than preceding years owing to the momentary slowdown in some important markets and the fall in the world tourist flows from these markets; but we believe that there is ample room for improvement in the coming years.

Last year, following our usual medium-long-term industrial perspective, the Group again invested in human resources, production capacity, style, research, communication and the distribution network, choosing to sacrifice a few percentage points of profitability in the short term, which we will recover, or may even improve on, as soon as the markets become normal and the revenues start growing again. In any case, this is not the first time that our Group has given up a small part of a year's profit to finance a much more important and strategically significant policy of growth and consolidation in the medium term, the more so as the Group's capital structure is solid and its net financial position is firmly positive.

In line with our plans, each of our brands is developing in harmony with its strategic vision, expanding its range of goods with products coherent with its core business and growing in world markets, with horizons and dimensions consistent with their strategic goals.

The important challenge in the next few years will be to show that our multi-brand group policy is the right one and that it is a winning choice. This will be seen if we manage to get each brand to grow independently, which would add much more value to the Group. We have the strategy, resources and people to carry out these plans. Now what we must do is focus hard on our work and have a very strong sense of priorities.

We are paying particular attention to the growth path undertaken by the Tod's brand, which correctly decided to enter the fashion shows world, because the visibility and prestige that it gives is a tool with which we can go on developing our leather goods business, and making it much stronger. But these important objectives will not distract us from our main aim: to grow in the footwear market, in which we are the acknowledged world leaders.

The decision to appoint a Creative Director for Tod's was correct. The appreciation of the international world, of the media and of our customers and the investment – even if a modest one – that we made in order to carry out this project are all good reasons for hoping that the medium-term course of action that we have taken will prove right.

After finishing the rationalisation of our wholesale distribution network, we are carrying on with our policy of expanding the DOS network, concentrating on opening stores in the markets with the greatest potential and giving priority to those in which our Group is not yet as fully represented, as the characteristics of all our brands require. These should be stores with the right format, created spending the necessary amount of money and combining visibility with prestigious locations.

We have further strengthened our team of managers in view of the targets we have set, bringing in new highly professional personalities, with the right skills and experience to join the already existing managers.

Among the new and important future challenges, the advance of the digital world will have priority, at organisational level, of course, but, even more, in terms of communication and sales.

We are doing some important things, which will soon have visible results.

As regards our manufacturing and logistics, we are completing the construction of the third factory next to our headquarters, which will enable us to boost our Group's production capacity even further. At the same time we are recruiting and training more workers to keep up the level of excellence and quality of our products, renowned all over the world as true specimens of Made in Italy.

As I have already had occasion to say, this new factory has been built with the most innovative techniques and the work has been done respecting the environment, to which our Group's sensitivity is not in doubt.

The Group continues to pay heed to social issues in order to enhance its employees' quality of life: in addition to supporting solidarity and social projects (including making a contribution to the restoration of the Rome Coliseum), which have taken up almost 1% of the margin on our revenues, we have decided to allocate 1% of the Group's net profit to area solidarity projects this year too.

And we have decided to remunerate our Shareholders generously again this year: we have increased a pay-out that was already among the highest in the sector, aware that while we are giving our Shareholders an excellent return, we still leave the Group all the resources it needs for its growth.

After fifteen years of listing, we may well say that we are very pleased with the results the Group has given Shareholders in terms of the enhancement of its stock and the dividends that have been distributed, among the highest in the sector.

Finally, as always, this year too I wish to express my sincerest thanks to all the Group's employees for the dedication with which they go about their work, and to you, Shareholders, who continue to be with us in our steady growth path, sure as I am that we will be able to give you even better results in the years to come.

Yours very sincerely,

Diego Della Valle

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 61,218,802

Share capital subscribed and paid euro 61,218,802

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 The Lee Gardens, 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 46/F
	Tokyo – Omotesando Building, 5-1-5 Jingumae
Production facilities	Comunanza (AP) - Via Merloni, 7
	Comunanza (AP) - Via S.Maria, 2-4-6
	Sant'Elpidio a Mare (FM) - Via Filippo Della Valle, 1
	Bagno a Ripoli, Loc. Vallina (FI) - Via del Roseto, 60
	Bagno a Ripoli, Loc. Vallina (FI) - Via del Roseto, 50
	Tolentino (MC) - Via Sacharov 41/43

Corporate Governance bodies

Board of directors [1]	Diego Della Valle	Chairman
	Andrea Della Valle	Vice- Chairman
	Luigi Abete	
	Maurizio Boscarato	
	Luigi Cambri	
	Luca Cordero di Montezemolo	
	Emanuele Della Valle	
	Fabrizio Della Valle	
	Emilio Macellari	
	Pierfrancesco Saviotti	
	Stefano Sincini	
	Vito Varvaro [4]	
Executive Committee	Diego Della Valle	Chairman
	Andrea Della Valle	
	Fabrizio Della Valle	
	Emilio Macellari	
	Stefano Sincini	
	Vito Varvaro [4]	
Compensation Committee	Luigi Abete	Chairman
	Luigi Cambri	
	Pierfrancesco Saviotti	
Control and Risk Committee	Luigi Cambri	Chairman
	Maurizio Boscarato	
	Pierfrancesco Saviotti	
Independent Directors Committee	Pierfrancesco Saviotti	Chairman
	Luigi Abete	
	Luigi Cambri	
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 Auditor [3]	PricewaterhouseCoopers S.p.A.	
Manager charged with preparing a company's financial report	Rodolfo Ubaldi	

(1) Term of the office: 2012-2014 (resolution of the Shareholders' meeting as of April 19th, 2012)
(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) Vito Varvaro resigned on October 31st, 2014.

TOD'S Group

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

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

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

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

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

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

Gen.del. SA
Company that operates DOS in Switzerland

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

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

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

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

TOD'S Japan KK
Company that operates DOS in Japan

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

TOD'S Macao Ltd
Company that operates DOS in Macao

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

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

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

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 branded ROGER VIVIER in Far East and South Pacific and manages DOS in Hong Kong. Sub-holding for operation of subsidiaries in Asia

Roger Vivier Singapore PTE Ltd
Company that operates DOS in Singapore

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

Roger Vivier UK Ltd
Not operating company

TOD'S Georgia Inc.
Not operating company

Roger Vivier France Sas
Not operating company

Roger Vivier Korea Inc.
Company that operates DOS in Korea

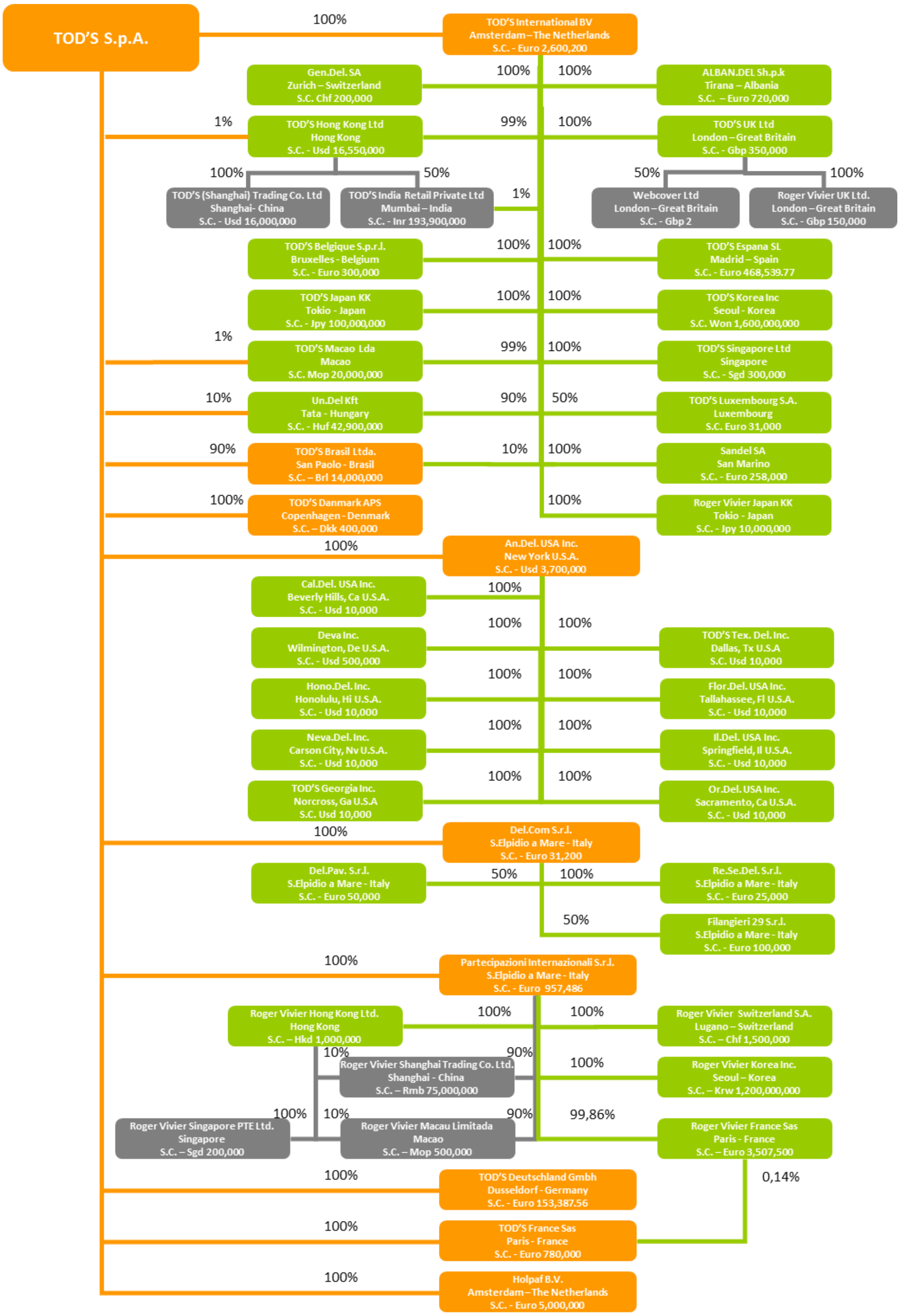
Roger Vivier Switzerland S.A.
Not operating company

Roger Vivier Macau Ltd.
Not operating company

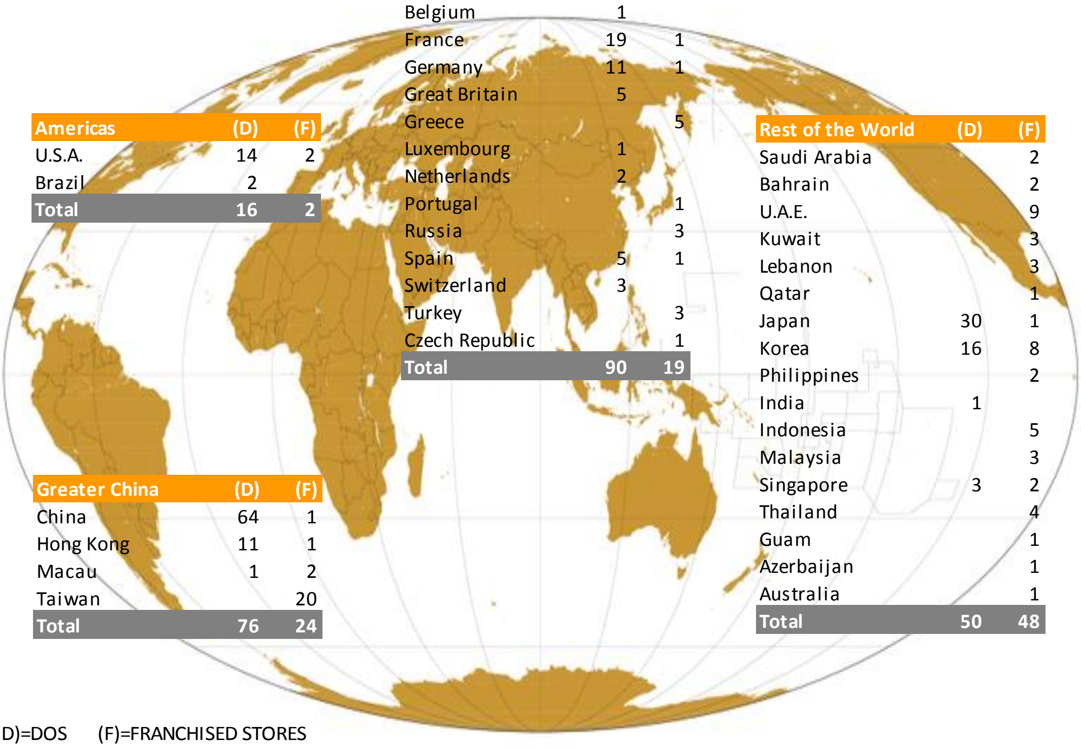
Roger Vivier Japan KK
Company that operates DOS in Japan

TOD'S Danmark APS
Not operating company

Group's organizational chart



Distribution network as of December 31st, 2014



Europe	(D)	(F)
Italy	43	3
Belgium	1	
France	19	1
Germany	11	1
Great Britain	5	
Greece		5
Luxembourg	1	
Netherlands	2	
Portugal		1
Russia		3
Spain	5	1
Switzerland	3	
Turkey		3
Czech Republic		1
Total	90	19

Americas	(D)	(F)
U.S.A.	14	2
Brazil	2	
Total	16	2

Greater China	(D)	(F)
China	64	1
Hong Kong	11	1
Macau	1	2
Taiwan		20
Total	76	24

Rest of the World	(D)	(F)
Saudi Arabia		2
Bahrain		2
U.A.E.		9
Kuwait		3
Lebanon		3
Qatar		1
Japan	30	1
Korea	16	8
Philippines		2
India	1	
Indonesia		5
Malaysia		3
Singapore	3	2
Thailand		4
Guam		1
Azerbaijan		1
Australia		1
Total	50	48

(D)=DOS (F)=FRANCHISED STORES

DOS, 2014 new openings

Greater China

Chengdu	(China)
Chengdu	(China)
Chengdu	(China)
Chongqing	(China)
Qingdao	(China)
Suzhou	(China)
Beijing	(China)
Beijing	(China)
Beijing	(China)
Beijing	(China)
Beijing	(China)
Guangzhou	(China)
Hong Kong	(Hong Kong)

Rest of the world

Seoul	(Korea)
Seoul	(Korea)
Seoul	(Korea)
Okayama	(Japan)

Americas

Honolulu	(USA)

Europe

Milan	(Italy)
Paris	(France)
Metzingen	(Germany)
Roermond	(Netherlands)

Franchised stores, 2014 new openings

Greater China

Macao	(Macao)
Kinmen	(Taiwan)

Rest of the World

Sidney	(Australia)
Seoul	(Korea)
Seoul	(Korea)
Seoul	(Korea)
Istanbul	(Turkey)
Istanbul	(Turkey)
Surabaya	(Indonesia)
Bangkok	(Thailand)

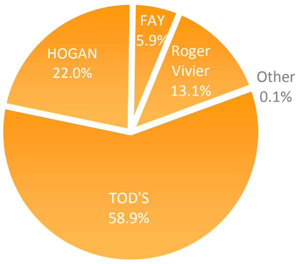
Europe

Munich	(Germany)

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

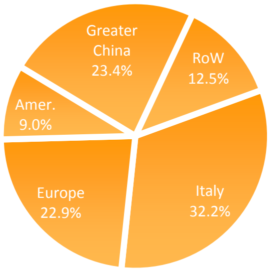
2014 Revenues - % by brand



P&L key figures (euro mn)

	FY 14		FY 13		FY 12	
Revenues	965.5		967.5		963.1	
EBITDA	193.5	20.0%	236.3	24.4%	250.2	26.0%
EBIT	148.2	15.3%	193.2	20.0%	208.8	21.7%
Profit before tax	144.4	15.0%	191.2	19.8%	207.7	21.6%
Profit for the period	96.8	10.0%	134.0	13.9%	145.7	15.1%

2014 Revenues - % by region

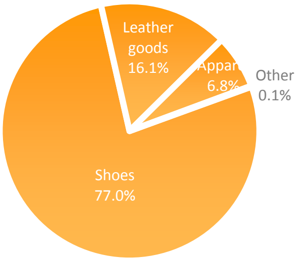


Key Balance Sheet figures (euro mn)

	Dec. 31st, 14	Dec. 31st, 13	Dec. 31st, 12
Net working capital (*)	418.7	437.4	410.5
Net fixed capital	411.4	388.7	393.2
Shareholders' equity	814.6	801.1	763.1
Net financial position	130.0	181.1	103.7
Capital expenditures	64.5	51.4	49.9

(*) Current Assets - Current Liabilities

2014 Revenues - % by product

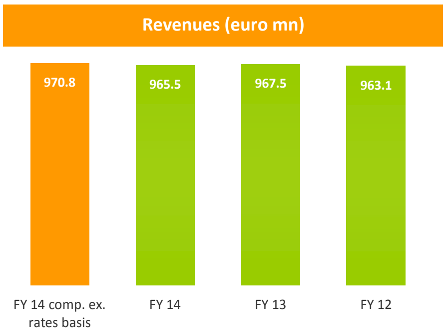


Financial key figures (euro mn)

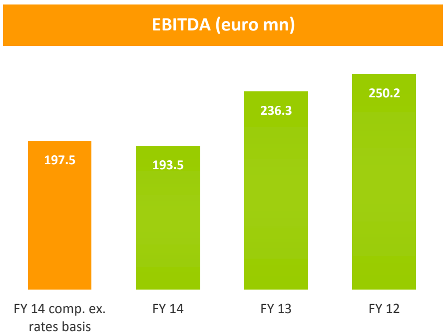
	Dec. 31st, 14	Dec. 31st, 13	Dec. 31st, 12
Free cash flow	(52.1)	65.8	(16.7)
Self financing	141.1	172.9	180.4
Cash flow from operation	90.4	206.9	111.3

Highlights of results

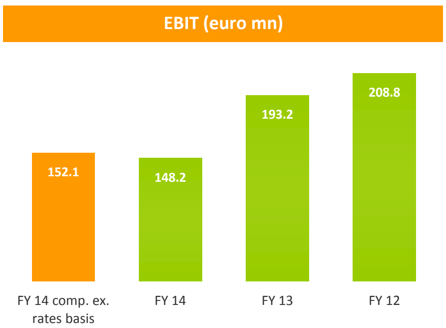
Revenues: 2014 revenues of 965.5 million euros, in line with 2013. The DOS network had sales of 616 million euros (-0.3%).



EBITDA: this totalled 193.5 million euros (236.3 million euros in 2013). The ratio of EBITDA to sales is 20.0%.

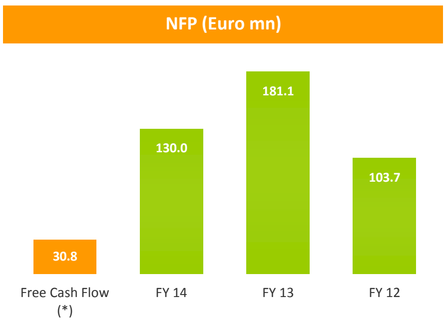


EBIT: this totalled 148.2 million euros (193.2 million euros in 2013), The ratio of EBITDA to sales is 15.3%.



Net profit: consolidated net profit for FY 2014 was 96.8 million euros, representing 10% of consolidated sales.

Net financial position (NFP): the Group had 165.9 million euros in liquid assets at December 31st, 2014 (228.2 million euros in 2013). The net financial position at the same date was 130 million euros (181.1 million euros in 2013).



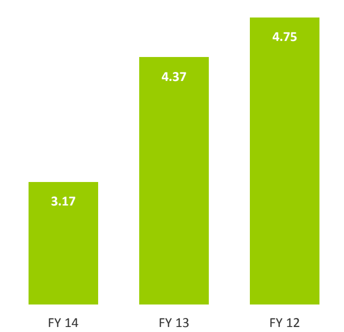
(*) gross of dividends

Capital expenditure: amount to 64.5 million euros capital expenditures occurred in 2014, were 51.4 million euros in 2013.

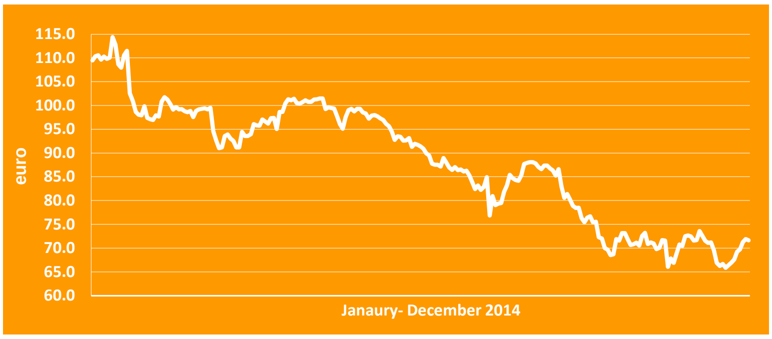
Distribution network: a total of 22 new DOS were opened during the financial year. At December 31st, 2014 the single brand distribution network comprised 232 DOS and 93 *franchised stores*.

Main stock Market indicators (euro)	
Official price at 01.09.2014	109.49
Official price at 12.29.2014	71.65
Minimum price	65.05
Maximum price	115.00
Market capitalization at 01.09.2014	3,351,446,273
Market capitalization at 12.29.2014	2,193,180,111
Dividend per share 2013	2.70
Dividend per share 2012	2.70
Number of outstanding shares	30,609,401

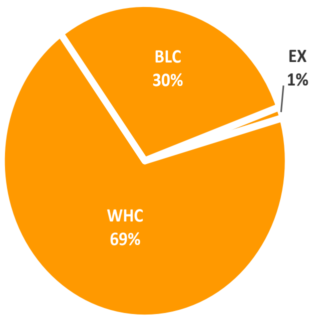
Earning per share (Euro)



Stock performance (Euro)



2014 Group's employees



The Group's employees

	FY 14	FY 13	FY 12	FY 11
Year to date	4,297	4,144	3,878	3,549
Average	4,239	4,034	3,765	3,418

EX = executives

WHC = white collar employees

BLC = blue colar employees

TOD'S Group - IAS/IFRS Annual Report as of December 31st, 2014

Report on operations

Introduction

The Report of the Board of Directors on Operations is based on the TOD'S Group Consolidated Financial Statements as of December 31st, 2014, 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 2014 financial year, the typical economic reference indicators (Revenues, EBITDA and EBIT) have been recalculated by applying the average exchange rates for 2013, 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

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.

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 the TOD'S, HOGAN, and FAY brands, holds the licenses of the ROGER VIVIER, 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.

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 2014, 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 2014.

The Human Capital

Welfare Project. Confirming the attention dedicated by TOD'S to its employees' well-being, and to establish and maintain relationships based on trust and mutual respect, various measures were pursued and undertaken during the year. Responding positively to its employees' needs, TOD'S has provided them with important services since the 1990's, such as a gym and day care centre for children. The costs for both of these services are covered entirely by the Group. It also provides a cafeteria, an auditorium and a multimedia library.

The Welfare project, which was put in hand at the end of 2012 to respond to the primary needs of the employees' immediate families, was further boosted during 2014. In fact, as part of the initiatives to provide economic support to the families of the Group's Italian employees, TOD'S extended the annual contribution of Euro 1,400 distributed since 2008 and the full refund of the cost incurred by its employees' families to buy school books for their school-age children, up through university study. TOD'S also offered, once again, a significant health care protection by taking out a new insurance policy to the benefit of its Italian employees and their relatives. By this policy, the medical services provided by the scheme were further expanded with respect to these already stipulated in 2013: not only does the scheme now pay the entire cost of major surgery and dentistry but also takes in diagnostic and prevention services (such as specialist examinations, diagnostic tests and the prevention of children's diseases) 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.

China-Italy exchange 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.

Aware of the importance of engaging its own employees in promoting "Made in Italy" quality, in 2014 TOD'S implemented the cultural exchange programme between Italy and China, one of the Group's most important markets. As part of this programme, in 2014 several Chinese store managers to be selected on the basis of company seniority and merit were given the opportunity to become familiar with and understand the Italian lifestyle and approach to life, through an international exchange programme. This initiative allowed them to live in Italy for three months. They were flanked by a boutique tutor and an office tutor, who helped them discover Italian taste and style, both on the job at the store and after working hours.

The project represented a major opportunity, not only for the foreign employees, but also for Italian staff, who was able to interact with their Chinese colleagues, in view of mutual exchange of different cultures, personal and professional experiences, while sharing the values represented by TOD'S. Cultural interchange will be promoted again next year, confirming a constant commitment on the part of TOD'S to the creation of a group of increasingly tightly knit and internationally-minded people.

With this in view, another project has been launched in 2014 addressed at all the store managers in the Group's distribution network. They will spend a week visiting the offices in Milan and production sites at the Italian headquarters.

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 2014. 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. The training programme focused mainly on the development of soft skills, with the aim of training professionals with transversal skills and the ability to communicate efficaciously and manage human resources efficiently and responsibly. 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. The professionals in the manufacturing process, in their turn, attended training sessions 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.

Furthermore, language courses were provided at all professional levels in 2014, 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.

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.

In 2014 TOD'S launched, once again, the project of "Fabbrica del Talento" (Talent Factory), within which twenty young people were given the possibility to receive six months of training, aimed at training professionals with specific skills that are hard to find on the market, and which TOD'S needs to operate its own activities. The impact of this project was very favourable indeed: it ended with TOD'S S.p.A. recruitment of about 70% of the young people who took part in these training sessions during 2014.

Contribution to the Italian economic system

The TOD'S Group confirmed its commitment to support our country's needs in 2014 too: in fact, the Shareholders' Meeting, called to allocate the 2013 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.

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 full 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 2014 the project saw the progress of work on the first of the three 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.

Pursuing the same intention to promote Italian culture and Italian-made products, the TOD'S Group confirmed its support for the Teatro alla Scala, as Permanent Founding Member of the Teatro alla Scala Foundation. It also continued its support for the research and proposal activity of the Padiglione di Arte Contemporanea (PAC – Contemporary Art Pavilion) in Milan, which TOD'S uses to present its own collections. 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.

Finally, in 2014 the TOD'S Group continued to lease spaces of Villa Necchi in Milan for the presentation of its collections in 2014. 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. The Group conducts precise analyses of its consumption of electricity and fuels. It defines an annual programme of energy savings measures to be implemented, relying in part on audits performed by specialised outsourcers. During 2014 the parent company TOD'S S.p.A. started to use a new system at its head office for the accurate monitoring of energy consumption in its departments in order to make consumption more efficient through conscious use of energy.

Continuing the work done in previous years, TOD'S created and implemented programmes to reduce its energy consumption in 2014 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. 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, which is currently being 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" will be 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 has been 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 volatility in the global luxury goods markets heightened progressively at the end of the year. The first signs of weakness in this market had already started to be seen in 2013. This challenging scenario, which affected the results of the leading brands in this sector, in Pacific Asia above all, also suffered from substantial exchange rate fluctuations. The latter adversely affected sales at first (a negative effect of euro 5.2 million on the Group's revenues in 2014), but above all entailed significant developments in tourist flows and a reduced spending capacity of some important international shoppers (Russian, Brazilian, Japanese and Indian tourists).

Following our industrial mid-term perspective, the Group, according to schedule, put in hand all the planned investments in human resources, production capacity, style, research and communication in order to strengthen and enhance its brands' image and appeal.

Substantial funds were allocated to boosting the distribution structure by targeted expansion of the international DOS network, giving priority to more responsive markets (in 2014 twenty-two new directly operated stores were opened) and expanding production, using resources to increase production capacity by setting up new factories at the Group's headquarters. With a view to its strategic development, on July 23rd, 2014 the parent company TOD'S S.p.A. entered into a loan agreement with two leading banks, which was aimed at setting aside funds to a maximum amount of euro 400 million intended to support the Group's development and related investments in the medium term.

As regards the business, the sales figures for the DOS network were stable on the whole, also thanks to the contribution from the abovementioned new openings, the exception being the

Greater China network, strongly affected by the corruption crackdown policy adopted by the Chinese authorities which produced a generalised fall in the purchase of luxury goods in the Mainland China, as well as in the neighbouring areas of Hong Kong and Macau, throughout 2014. On the other hand, Group sales performance in the Greater China was affected by extraordinary events, the latest of which were the anti-government street demonstrations in Hong Kong which paralysed this key luxury sector market for weeks.

Sales results in the Americas fell slightly under the effect of the extremely bad weather at the beginning of the year and the closure of two important Group stores for renovations for a number of months, including the TOD'S flagship store in Madison Avenue, New York.

Still as regards the international market, the results of sales in Europe and the Rest of the World were excellent, showing an increase of 6.1% and 13.6% respectively, at constant rates. In the Rest of the World area, the performances of the Japanese and South Korean markets were particularly impressive, with double-digit growth rates.

As regards the brands, HOGAN continued to grow in international markets, to which the brand development 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 2013. The performances of the ROGER VIVIER brand continued to be excellent: consolidated sales increased by 11.6% compared to 2013, confirming the great appeal that the brand has for global customers, who see ROGER VIVIER as one of the most prestigious *maisons* in the most exclusive luxury segment.

As regards social responsibility, the parent company TOD'S S.p.A. continued its commitment to financial support projects for the families of the Group's Italian employees: the measures contained in the so-called Welfare plan have been extended to the current financial year. Moreover, also in the field of social commitment, the Board of Directors of TOD'S S.p.A., which has been granted delegated powers for this purpose, is engaged in selecting solidarity initiatives to which it can allocate the reserve fund, equal to about euro 1.3 million, specially set aside by the Shareholders' Meeting on April 17th, 2014.

The Group's results in 2014

Consolidated sales were 965.5 million euros, broadly aligned with 2013 turnover when it was 967.5 million euros. The impact of currency fluctuations was negative: at constant exchange rates, sales revenue would increase to 971 million euros, showing a growth of +0.4% in respect to 2013. Operating margins, EBITDA and EBIT, were 193.5 million euros and 148.2 million euros respectively (while at a constant exchange rate would have been 197.5 and 152.1 million euros, representing respectively 20.3% and 15.7% of consolidated sales).

Consolidated net profit was 96.8 million euros, decreased by 37.2 million euros in respect to 134 million euros of the previous year 2013.

euro 000's Main economic indicators	Year 14	Year 13	Change	%
Sales Revenues	965,532	967,490	(1,958)	(0.2)
EBITDA	193,547	236,317	(42,770)	(18.1)
Deprec., amort., write-downs and advances	(45,368)	(43,162)	(2,207)	5.1
EBIT	148,179	193,155	(44,977)	(23.3)
Profit before taxes	144,380	191,172	(46,792)	(24.5)
Profit for the period	96,761	134,000	(37,238)	(27.8)
Foreign exchange impact on revenues	5,438			
Adjusted Sales Revenues	970,970	967,490	3,480	0.4
Foreign exchange impact on operating costs	(1,527)			
Adjusted EBITDA	197,458	236,317	(38,859)	(16.4)
Foreign exchange impact on deprec.& amort.	(30)			
Adjusted EBIT	152,059	193,155	(41,096)	(21.3)
EBITDA %	20.0	24.4		
EBIT %	15.3	20.0		
Adjusted EBITDA %	20.3	24.4		
Adjusted EBIT %	15.7	20.0		
Tax Rate %	33.0	29.9		

euro 000's Main Balance Sheet Indicators	12.31.14	12.31.13	Change
Net working capital (*)	266,310	224,055	42,256
Intangible and tangible fixed assets	411,379	388,693	22,686
Other current assets/liabilities	6,907	7,231	(324)
Net assets held for sale			
Invested capital	**684,596**	**619,979**	**64,617**
Net financial position	130,013	181,125	(51,112)
Shareholders' equity	**814,609**	**801,104**	**13,506**
Capital expenditures	64,457	51,372	13,085
Cash flow from operations	90,411	206,930	(116,519)
Free cash flow	(52,140)	65,796	(117,936)

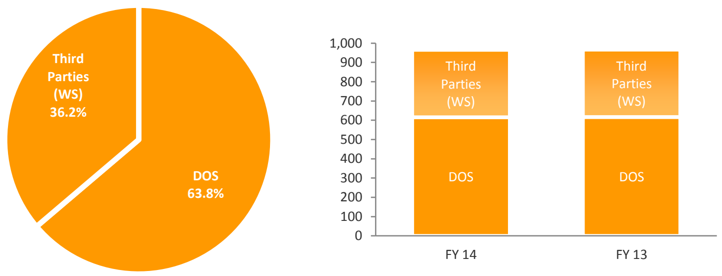
(*) Trade receivable + inventories - trade payables

Revenues. Consolidated sales were 965.5 million euros in FY 2014, broadly aligned with 2013 turnover. In the fourth quarter of 2014, sales amounted to 224.5 million euros, up 4.5% from the same period of 2013, showing a sharp improvement as compared to the previous quarterly figures.

In FY 2014 the impact of currency fluctuations was negative, even if with a lower incidence in the last few months; at constant exchange rates, meaning by using FY 2013 average exchange rates, including the related effects of hedging derivatives, sales would have been 971 million euros (+0.4% from the previous year).

Sales through DOS globally totalled 616 million euros, broadly aligned with FY 2013 turnover, and represent 63.8% of consolidated revenues as of December 31st, 2014. In Q4 2014, retail sales grew by 4%. 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, 2013, is -7.1% in the year, showing a visible improvement in the last months, despite the already commented negative impact of the recent Hong Kong events.

(euro mn)	FY 14	%	FY 13	%	% current exch. rates	% constant exch. rates
DOS	616.0	63.8	617.7	63.8	(0.3)	0.3
Third Parties (WS)	349.5	36.2	349.8	36.2	(0.1)	0.4
Total	**965.5**	**100.0**	**967.5**	**100.0**	**(0.2)**	**0.4**

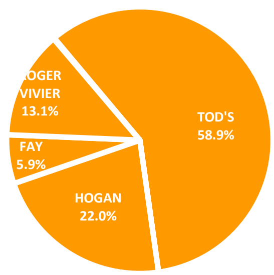


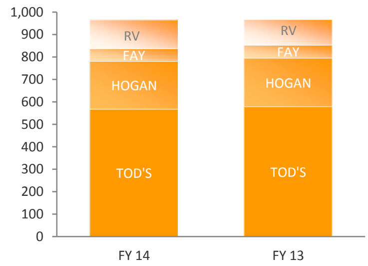
During the current year, the SSSG remains negative, due to persistent weakness of important markets, such as Greater China. This situation, however, affects the whole industry. We want also to emphasize that, with the start of sales of the Spring Summer season, the trend is positive and the SSSG is improving. In the first 10 weeks of the year (from January 1st to March 8th, 2015), the 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 -10.6%, but it would rise to -3.6% at reported rates.

As of December 31st, 2014 the Group's distribution network was composed by 232 DOS and 93 franchised stores, compared to 219 DOS and 84 franchised stores as of December 31st, 2013. Revenues to third parties totaled 349.5 million euros, broadly aligned with FY 2013 turnover; in Q4 2014, the growth was 5.9%.

The TOD'S brand totalled 568 million euros in sales, with a slight decrease, at constant exchange rates, from 2013. The brand's performance was positive in Q4 (+5.7%), with good results in all the regions where the brand is distributed, with the only exception of the Chinese market, which was negative during the entire year and that was also impacted by the antigovernment demonstrations in Hong Kong, starting from September. The HOGAN brand registered 212.3 million euros as turnover, with a decrease of 2.2% from FY 2013. The retail results were positive, but the Q4 wholesale performance was affected by a different timing of the deliveries of 2015 Spring Summer collections. The brand confirmed the double-digit growth of its foreign sales. The FAY brand totalled 57.3 million euros in sales, broadly aligned with FY 2013 turnover. As expected, the brand performance was positive in the second half of the year, also thanks to the end of the rationalization of the Italian wholesale distribution. The brand is also starting its international expansion process; in October the first monobrand store was opened in Korea and it's been started a distribution project in Japan with the first monobrand openings in 2015. Finally, ROGER VIVIER, which is recognized worldwide as one of the most prestigious *maison* of luxury accessories and shoes in the most exclusive segment of luxury goods, registered a turnover of 126.9 million euros, up 12.4% from FY 2013, at constant rates. The brand is continuing its selective expansion, aiming at maintaining its exclusive positioning.

(euro mn)	FY 14	%	FY 13	%	% current exch. rates	% constant exch. rates
TOD'S	568.0	58.9	578.1	59.7	(1.7)	(1.0)
HOGAN	212.3	22.0	217.0	22.4	(2.2)	(2.2)
FAY	57.3	5.9	57.6	6.0	(0.6)	(0.6)
ROGER VIVIER	126.9	13.1	113.7	11.8	11.6	12.4
Other	1.0	0.1	1.1	0.1	n.s.	(1.5)
Total	**965.5**	**100.0**	**967.5**	**100.0**	**(0.2)**	**0.4**

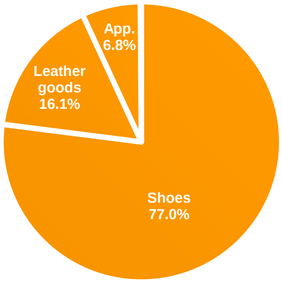


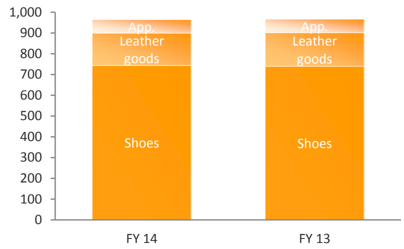


The Group has further strengthened its leadership in the core business of shoes. Sales of this product category totaled 743.5 million euros, slightly higher than in FY 2013, at constant exchange rates, showing an acceleration in Q4 (+5.7%). Revenues of leather goods and accessories totaled 155.6 million euros, down 2.1% from FY 2013, at constant exchange rates.

Visible improvement of their performance in the fourth quarter. Finally, sales of apparel were 65.4 million euros, with a slight decrease from FY 2013, but with a growth in Q4 2014 (+4.0%); this category broadly reflects the performance of the FAY brand.

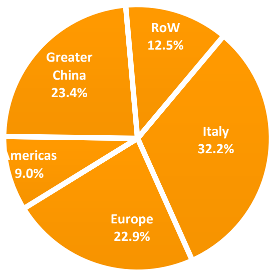
(euro mn)	FY 14	%	FY 13	%	% current exch. rates	% constant exch. rates
Shoes	743.5	77.0	739.7	76.5	0.5	1.0
Leather goods	155.6	16.1	160.9	16.6	(3.3)	(2.1)
Apparel	65.4	6.8	65.8	6.8	(0.7)	(0.6)
Other	1.0	0.1	1.1	0.1	n.s.	(1.7)
Total	**965.5**	**100.0**	**967.5**	**100.0**	**(0.2)**	**0.4**

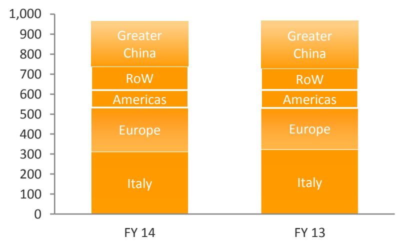




Sales in Italy were 311.1 million euros, down 3.7% from FY 2013. In line with management expectations, domestic sales grew in the second half of 2014, also thanks to the end of the rationalization of the Italian wholesale distribution, started in 2012. In the rest of Europe, sales totalled 221.3 million euros, up 6.5% from FY 2013, driven by Germany, UK and Spain. The Group's sales in the Americas totalled 87.3 million euros, down 1.8% from FY 2013, at constant exchange rates. The bad weather conditions at the beginning of the year and the temporary closing, for refurbishment, of two important boutiques, including the New York Madison Avenue flagship store, affected the performance in the first part of the year, sales grew in Q4.

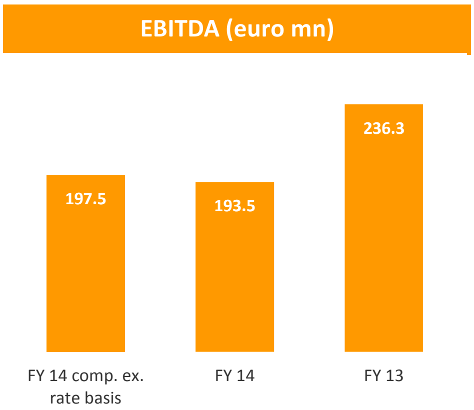
(euro mn)	FY 14	%	FY 13	%	% current exch. rates	% constant exch. rates
Italy	311.1	32.2	323.0	33.4	(3.7)	(3.7)
Europe	221.3	22.9	207.8	21.5	6.5	6.1
Americas	87.3	9.0	90.3	9.3	(3.3)	(1.8)
Greater China	225.7	23.4	237.5	24.5	(5.0)	(4.4)
RoW	120.1	12.5	108.9	11.3	10.3	13.6
Total	**965.5**	**100.0**	**967.5**	**100.0**	**(0.2)**	**0.4**





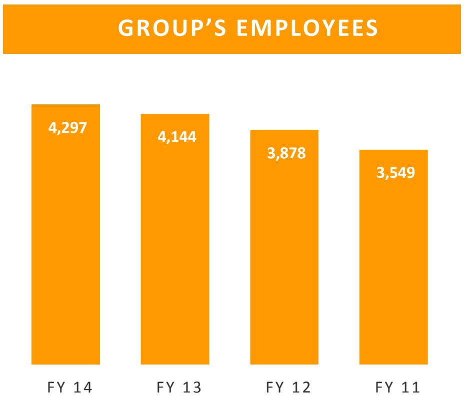
The Group's sales in Greater China were 225.7 million euros, down 4.4% from FY 2013, at constant exchange rates. This market was the only negative region in the fourth quarter, affected by the already commented weak consumer environment in mainland China and, starting from September, also by the impact of the antigovernment demonstrations in Hong Kong. Finally, in the area "Rest of the World" sales totalled 120.1 million euros, up 13.6% from FY 2013, at constant exchange rates, driven by the outstanding results of Korea, Japan and Singapore.

Operating results. The Group EBITDA for the 2014 financial year amounted to 193.5 million euros (236.3 million euros in 2013), representing 20% of consolidated sales (24.4% in 2013).
At constant exchange rates, with the application of the average cross rates for the previous year, the EBITDA would have amounted to around 197.5 million euros.
After having achieved excellent profits at the gross margin level, which were the result of the well-established position of the Group's brands at the high end of the luxury brands sector, with a slight reduction attributable to a different composition of revenues, operating margins were significantly affected, compared to 2013, by the rising operating costs linked to i) the international expansion strategy of the DOS network (the number of DOS increased up to 13 in the year); ii) greater communication investments in support of the brands; and a consequent higher impact on revenues due to the various components of the cost structure.
More specifically, the costs of using third party assets (rents and royalties for the exploitation of the licences) amounted to 109.7 million euros, showing a growth of 7.9 million euros with respect to the same item in 2013 (equivalent to 101.8 million euros). The incidence on sales revenues increased from 10.5% in 2013 to 11.4% in the current financial year. This growth can be mainly attributed to the expansion in sales by the direct distribution network on the Asian markets, where the retail distribution model is mainly based on variable rents indexed to turnover.



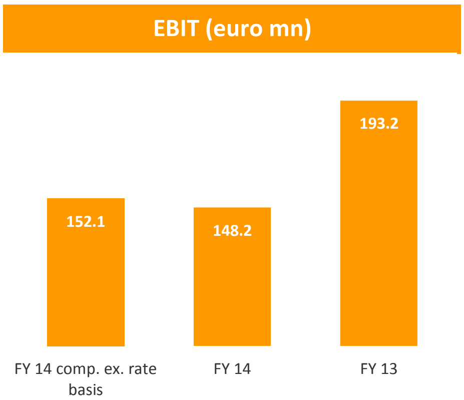
Increased even the personnel costs: the figure for the 2014 financial year amounted to 160.4 million euros in respect to 151.7 million euros of the year 2013, an increase of 8.7 million euros in absolute terms.

These costs accounted for 16.6% of Group sales revenues, in respect to 15.7% of the year 2013. 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, 2014, the total Group workforce was 4,297 employees, an increase of 153 with respect to the figure at the beginning of the year (4,144).



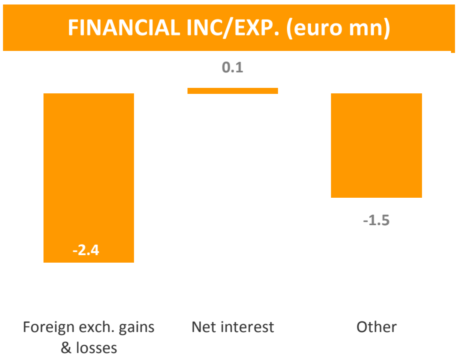
The costs of depreciation, amortisation and write downs of fixed assets in 2014 amounted to a total of 43.9 million euros, in respect to 39.3 million euros of 2013. This item includes an amount of euro 1.9 million relating to the write-down of assets which were decommissioned from the production process of the parent company and from the Group's mono-brand stores. As of December 31st, 2014 depreciation and amortisations accounted for 4.3% of Group sales revenues, substantially in line with the figure for the previous year (4.1%).

Net of further provisions amounting to a total of 1.4 million euros, the net operating result for the year (EBIT) therefore amounted to 148.2 million euros (in respect to 193.2 million euros of the year 2013), changed by 45 million euros and represents 15.3% of consolidated sales (2013: 20%). At constant exchange rates, the EBIT for the period would have been equivalent to 152.1 million euros.

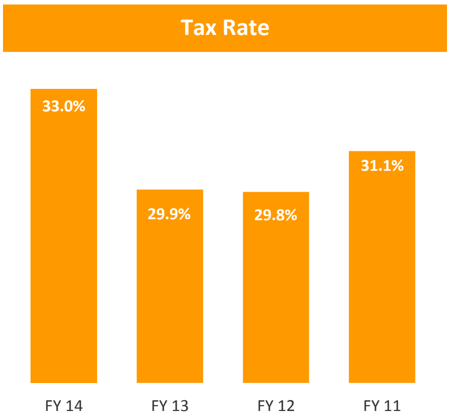


The financial income and charges balance has been negative for 3.8 million euros, significantly influenced by the trend in cross rates between the euro and the main currencies in which the Group operates, with respect to the hedging exchange rates in foreign currency transactions.

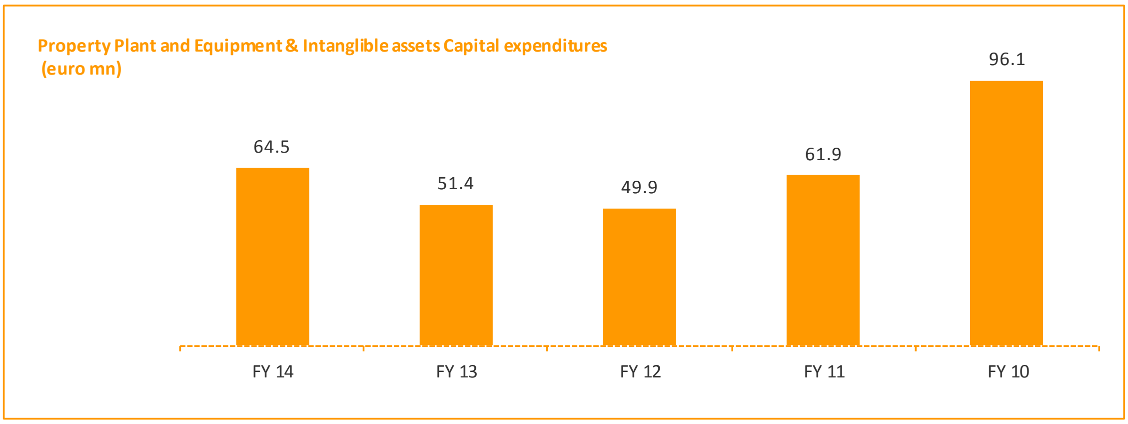
Positive for 0.1 million euros the differential between credit interest (accrued on the investments of liquid assets) and debit interest (mainly on medium to long term debts).



Income taxes for the year amounted to Euro 47.6 million, including the effects of deferred tax, at a tax rate that came to 33%, which recorded an increase compared to 2013, mainly due to a different geographical mix of results. The consolidated net profit for 2014 amounted to 96.8 million euros (2013: 134 million euros): this result accounts for 10% of the consolidated sales, as against 13.9% in the previous financial year.



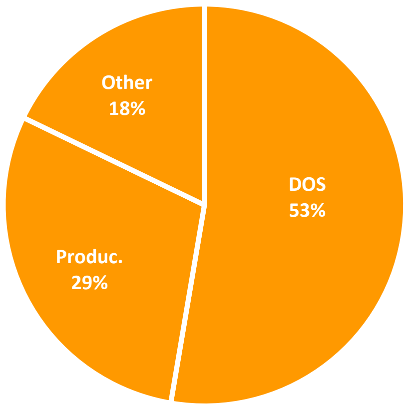
Capital expenditures. Capital expenditures in the 2014 financial year amounted to a total of 64.5 million euros, increased in respect to the previous year when they were 51.4 million euros in 2013.



About 34 million euros (27.6 million euros at December 31st, 2013) was invested in fitting out the new DOS and in renovations during the period, including those that have already been mentioned for the TOD'S flagship store in Madison Avenue in New York, where work included a substantial increase in the retail area.

Investments in raising production capacity in the short term amounted to about 21 million euros: apart from the acquisition of a new industrial building, another production plant is being built in the area in which the Group's headquarters is situated. The remaining portion of the investments during the period, apart from normal processes of modernisation of facilities and industrial equipment (mainly lasts and moulds), was mainly put into development of Group's management systems (software).

INVESTMENTS BY ALLOCATION



Net financial position and cash flow.

At December 31st, 2014 the net financial position posted a positive value of 130 million euros (181.1 million euros at December 31st, 2013). Cash and cash equivalents (cash and bank deposits) amounted to 165.9 million euros (228.2 million euros at December 31st, 2013); liabilities showed a sharp reduction (35.9 million euros at the end of the year against 47.1 million euros at the beginning of the year), mainly due to a decrease in current account overdrafts.

euro 000's Net financial position	12.31.14	12.31.13	Change
Current financial assets			
Cash and cash equivalents	165,949	228,178	(62,229)
Cash	**165,949**	**228,178**	**(62,229)**
Current financial liabilities			
Current account overdraft	(10,988)	(21,077)	10,088
Current share of medium-long term financing	(4,650)	(4,889)	239
Current financial liabilities	**(15,638)**	**(25,966)**	**10,327**
Current net financial position	**150,311**	**202,212**	**(51,901)**
Non-current financial liabilities			
Financing	(20,298)	(21,087)	789
Non-current financial liabilities	**(20,298)**	**(21,087)**	**789**
Net financial position	**130,013**	**181,125**	**(51,112)**

Gross of distributed dividends (83 million euros), the NFP at December 31st, 2014 would amount to 213 million euros (+31.9 million euros compared to the value posted at the beginning of the year).

euro/000 Statement of cash flow	FY 14	FY 13
Profit/(Loss) for the period	**96,761**	**134,000**
Non-cash items	44,290	38,921
Cash flow	**141,051**	**172,921**
Change in operating net working capital	(50,640)	34,009
Cash Flow from operations	**90,411**	**206,930**
Cash Flow generated (used) in investment activities	(66,259)	(51,541)
Cash Flow generated (used) in financing activity	(86,227)	(88,858)
Cash Flow received (used) from continuing operations	**(62,075)**	**66,531**
Translation exchange differences	9,935	(735)
Cash Flow generated (used)	**(52,140)**	**65,796**
Net cash and cash equivalents at the beginning of the period	207,100	141,304
Net cash and cash equivalents at the end of the period	154,961	207,100
Change in net cash and cash equivalents	**(52,140)**	**65,796**

Cash Flow from operating activities posted a positive value of 90.4 million euros, while an increase was recorded in Cash Flow from investing activities, equal to 66.3 million euros in 2014. Free cash flow for 2014, which posted a negative value of 52.1 million euros, was mainly affected by the financial effects of a fall in the operating result that has been remarked on previously, as well as by a physiological growth in 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.

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	12.31.14		12.31.13	
	Net Profit	Share equity	Net Profit	Share equity
Parent Company	**78,414**	**644,223**	**101,502**	**660,112**
Difference between book value of consolidated Companies and net equity method valutation	30,144	246,387	61,873	188,539
Goodwill from Business combination Parent Company		(13,685)		(13,685)
Goodwill from Business combination Group		12,232		12,232
Others (*)	(11,445)	(79,628)	(29,595)	(51,742)
Minority interest	(353)	5,078	220	5,648
Group	**96,761**	**814,609**	**134,000**	**801,104**

(*) 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, 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 19th, 2012 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 12th 2015, 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 2014, 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 12th, 2015, the Board of Directors of Tod's S.p.A. approved, in compliance with Article 123-ter of Legislative Decree 58 of February 24, 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 2015 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 2014 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 22nd, 2015, 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 2014 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 2013 Annual Report that had the same effects.
All information regarding existing relations with related parties in 2014 are set out in the supplementary notes.

Significant events occurred after the end of the period

No significant events occurred after the end of the period.

Business outlook

In the year 2014 the Group recorded a temporary slowdown in operating profits, due to our strategic decision to continue to invest in production capacity, communication, research and, especially, in the retail distribution network, despite a particularly challenging environment, characterized by weak consumer spending in major markets for luxury goods.
Aware of the financial and patrimonial solidity, the Group continued to focus on the mid/long-term view, to preserve the quality, the awareness and prestige of the brands.
Concerning the current year, even in an uncertain and demanding macro-economic environment, which continues to be characterized by an high volatility of the markets, the confirmation of expectations for the beginning of the summer collection, already in the stores, the enthusiasm shown by the press for the fall winter collections, and the positive trend of the current sale campaign, indicate that the Group return to growth in revenue and profits.

Approval of Financial Statement

The consolidated financial statements of the TOD'S Group were approved by the Board of Directors on March 12th, 2015.

Milan, March 12th, 2015

The Chairman of the Board of Directors
Diego Della Valle

TOD'S Group

Financial Statements

Consolidated Income Statement

euro 000's	Note	Year 14	Year 13
Revenues			
Sales revenues	24	965,532	967,490
Other income	24	10,476	15,630
Total revenues and income		**976,008**	**983,120**
Operating Costs			
Change in inventories of work in process and finished goods		31,944	16,549
Cost of raw materials, supplies and materials for consumption		(278,912)	(267,948)
Costs for services		(231,436)	(211,761)
Costs of use of third party assets	19	(109,665)	(101,778)
Personnel costs	25	(160,386)	(151,665)
Other operating charges		(34,005)	(30,200)
Total operating costs		**(782,461)**	**(746,803)**
EBITDA		**193,547**	**236,317**
Amortisation, depreciation and write-downs			
Amortisation of intangible assets	7	(8,792)	(8,889)
Depreciation of property, plant and equipment	8	(32,791)	(30,395)
Other adjustments	9	(2,339)	
Total amortisation, depreciation and write-downs		**(43,922)**	**(39,284)**
Provisions	14-19	(1,447)	(3,878)
EBIT		**148,179**	**193,155**
Financial income and charges			
Financial income	26	23,403	18,201
Financial expenses	26	(27,202)	(20,184)
Total financial income (expenses)		**(3,799)**	**(1,983)**
Income (losses) from equity investments		-	-
Profit before taxes		**144,380**	**191,172**
Income taxes	11-27	(47,619)	(57,172)
Profit/(loss) for the period		**96,761**	**134,000**
Non-controlling interests		353	(220)
Profit/(loss) of the Group		**97,114**	**133,780**
EPS (in euro)	28	3.17	4.37
EPS diluted (in euro)	28	3.17	4.37

Consolidated Statement of Comprehensive Income

euro 000's	Note	Year 14	Year 13
Profit (loss) for the period (A)		**96,761**	**134,000**
Other comprehensive income that will be reclassified subsequently to profit and loss:			
Gain/(Losses) on derivative financial instruments (cash flow hedge)		(7,795)	(3,717)
Gain/(Losses) on currency translation of foreign subsidiaries		10,020	(8,428)
Total other comprehensive income that will be reclassified subsequently to profit and loss (B)		**2,225**	**(12,145)**
Other comprehensive income that will not be reclassified subsequently to profit and loss:			
Cumulated actuarial gains/(losses) on defined benefit plans		(1,183)	623
Total other comprehensive income that will not be reclassified subsequently to profit and loss (C)		**(1,183)**	**623**
Total Comprehensive Income (A) + (B) + (C)		**97,803**	**122,478**
Of which:			
Attributable to Shareholders of the Parent company		98,118	122,253
Attributable to non-controlling interests		(314)	225

Consolidated Statement of Financial Position

euro 000's	Note	12.31.14	12.31.13
Non current assets			
Intangible fixed assets			
Assets with indefinite useful life	7	149,466	149,466
Key money	7	16,676	18,419
Others intangible assets	7	27,411	28,455
Total Intangible fixed assets		**193,553**	**196,340**
Tangible fixed assets			
Buildings and land	8	95,111	90,225
Plant and machinery	8	8,550	8,472
Equipment	8	16,082	16,002
Leasehold improvement	8	43,361	37,460
Others	8	54,722	40,194
Total Tangible fixed assets		**217,826**	**192,353**
Other assets			
Investment properties	10	32	36
Equity investments		20	20
Deferred tax assets	11	48,237	49,568
Others	12	18,535	15,362
Total others assets		**66,824**	**64,986**
Total non current assets		**478,203**	**453,679**
Current assets			
Inventories	13	327,085	282,348
Trade receivables	14	99,445	94,326
Tax receivables	14	30,698	16,859
Derivative financial instruments	15	1,751	4,430
Others	14	37,229	34,793
Cash and cash equivalents	16	165,949	228,178
Total current assets		**662,159**	**660,935**
Total assets		**1,140,362**	**1,114,613**

To be continued

continuing

euro 000's	Note	12.31.14	12.31.13
Equity			
Share capital	18	61,219	61,219
Capital reserves	18	214,055	214,055
Treasury stock	18		
Hedging and translation	18	(8,747)	(10,902)
Retained earnings	18	445,889	397,304
Profit/(loss) attributable to the Group	18	97,114	133,780
Total Equity attributable to the Group		**809,531**	**795,456**
Non-controlling interests			
Share capital and reserves		5,431	5,428
Profit/(loss) attributable to non-controlling interests		(353)	220
Total Equity attributable to non-controlling interests		**5,078**	**5,648**
Total Equity		**814,609**	**801,104**
Non-current liabilities			
Provisions for risks	19	3,417	3,651
Deferred tax liabilities	11	29,360	35,254
Employee benefits	20	12,582	11,134
Others	22	16,619	18,835
Bank borrowings	21	20,298	21,087
Total non-current liabilities		**82,276**	**89,961**
Current liabilities			
Trade payables	23	160,220	152,619
Tax payables	23	9,015	7,809
Derivative financial instruments	15	17,258	1,876
Others	23	41,345	35,278
Bank	21	15,638	25,966
Total current liabilities		**243,477**	**223,547**
Total Equity and liabilities		**1,140,362**	**1,114,613**

Consolidated Statement of Cash Flows

euro 000's	Note	Year 14	Year 13
Profit/(Loss) for the period		**96,761**	**134,000**
Non-cash adjustments:			
Amortizat., deprec., revaluat., and write-downs	7-8-9-13-14	41,910	42,256
Change in reserve for employee	20	261	(272)
Change in deferred tax/liabilities	11	(287)	(1,148)
Other non monetary expenses/(income)	19-15-18	2,405	(1,915)
Cash flow (A)		**141,051**	**172,921**
Change in current assets and liabilities:			
Trade receivables	14	(4,613)	34,687
Other current assets	14	(2,436)	1,758
Inventories	13	(43,232)	(19,210)
Tax receivables	14	(13,840)	(774)
Trade payables	23	7,601	13,383
Other current liabilities	23	4,674	4,512
Tax payables	23	1,206	(347)
Change in operating working capital (B)		**(50,640)**	**34,009**
Cash flow from operations (C) = (A)+(B)		**90,411**	**206,930**
Net investments in intangible and tangible assets	7-8	(63,086)	(49,582)
(Increase) decrease of equity investments			
Other changes in fixed assets			
Reduction (increase) of other non-current assets	12	(3,173)	(1,959)
Cash flow generated (used) in investing activities (D)		**(66,259)**	**(51,541)**
Dividends paid	18	(82,902)	(83,014)
Others change in Equity	18		
Changes in long term loans/other non-current liabilities	21-22	(3,325)	(5,844)
Capital increase	18		
Changes in non controlling-interests			
Cash flow generated (used) in financing (E)		**(86,227)**	**(88,858)**
Translation differences (F)		9,935	(735)
Cash flow from continuing operations (G)=(C)+(D)+(E)+(F)		**(52,140)**	**65,796**
Cash flow from assets held for sale (H)			
Cash flow generated (used) (I)=(G)+(H)		**(52,140)**	**65,796**
Net cash and cash equivalents at the beginning of the period		207,100	141,304
Net cash and cash equivalents at the end of the period		154,961	207,100
Change in net cash and cash equivalents		**(52,140)**	**65,796**

Consolidated Statement of changes in equity

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**
Dividends				(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**

Year 2013 euro 000's	Share Capital	Capital reserves	Hedging and reserve for translation	Retained earnings	Group interests	Non-controlling interests	Total
Balances as of 01.01.13	**61,219**	**214,055**	**1,235**	**480,783**	**757,292**	**5,795**	**763,087**
Profit & Loss account				133,780	133,780	220	134,000
Directly in equity			(12,137)	610	(11,527)	5	(11,522)
Total Comprehensive Income			**(12,137)**	**134,390**	**122,253**	**225**	**122,478**
Dividends				(82,645)	(82,645)	(370)	(83,015)
Capital increase							
Share based payments							
Other				(1,446)	(1,446)		(1,446)
Balances as of 12.31.13	**61,219**	**214,055**	**(10,902)**	**531,082**	**795,456**	**5,648**	**801,104**

Report on operations

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, 2014 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 12th, 2015 and it is subject to PricewaterhouseCoopers S.p.A. audit.

2. Basis of preparation

The Consolidated Financial Statements as of December 31st, 2014 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 as of December 31st, 2014 (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 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, 2013, except for the information reported below in relation to any amendments, interpretations and new accounting standards applicable from January 1st, 2014.

Accounting standards, amendments and interpretations endorsed by the European Union, which will be applicable from January 1st, 2014 and which were first adopted in the TOD'S Group's consolidated financial statements at December 31st, 2014

•IFRS 10 – Consolidated Financial Statements. This standard introduces a new principle of control and establishes control as the basis for determining which entities must be consolidated. This standard sets out three elements of control: the power over an investee, the exposure to variable returns from its involvement with the investee and the connection between power and returns, i.e. the ability to exercise power over the investee to affect variable returns. IFRS 10 replaces SIC-12 "Consolidation - Special Purpose Entities", as well as any relevant provisions under IAS 27 "Consolidated and Separate Financial Statements". The IASB required an entity to apply this standard retrospectively for periods beginning on January 1st, 2013. The competent bodies of the European Union have completed the process for endorsement of this standard and have postponed the related date of first-time adoption to January 1st, 2014, with early application permitted. The new standard has had no impact on the Group.

•IAS 27 Revised – Separate Financial Statements. This standard was amended in 2011, as a result of the issue of IFRS 10. The scope of application of IAS 27 is limited to separate financial statements only. This standard prescribes the accounting for investments in subsidiaries, joint ventures and associates in separate financial statements. The IASB required an entity to apply this standard retrospectively for periods beginning on January 1st, 2013. The competent bodies of the European Union have completed the process for endorsement of this standard and have postponed the related date of first-time adoption to January 1st, 2014, with early application permitted. The new standard has had no impact on the Group.

•IFRS 11 – Joint Arrangements. This standard replaces IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers. Specifically, this standard classifies joint arrangements into two types: joint operations and joint ventures. According to IFRS 11, joint ventures must be accounted for using the equity method. Therefore, the method of proportionate consolidation provided for in IAS 31 for this type of joint arrangement is no longer permitted as an alternative valuation method. The IASB required an entity to apply this standard retrospectively for periods beginning on January 1st, 2013. The competent bodies of the European Union have completed the process for endorsement of this standard and have postponed the related date of first-time adoption to January 1st, 2014, with early application permitted. The new standard has had no impact on the Group.

•IAS 28 Revised – Investments in Associates and Joint Ventures. This standard was amended in 2011, as a result of the issue of IFRS 10 and IFRS 11. This standard prescribes the accounting for investments in associates and joint ventures and sets out the requirements for the application of the equity method. The IASB required an entity to apply this standard retrospectively for periods beginning on January 1st, 2013. The competent bodies of the European Union have completed the process for endorsement of this standard and have postponed the related date of first-time adoption to January 1st, 2014, with early application permitted. The new standard has had no impact on the Group.

•IFRS 12 – Disclosure of Interests in Other Entities. This standard sets out any and all disclosure requirements laid down in consolidated financial statements, in relation to subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosure is more extensive than that currently required by IAS 27, IAS 28 and IAS 31 in force. The IASB required an entity to apply this standard retrospectively for periods beginning on January 1st, 2013. The competent bodies of the European Union have completed the process for endorsement of this standard and have postponed the related date of first-time adoption to January 1st, 2014, with early application permitted. The effects of the adoption of the new standard are limited to the disclosure relating to interests in other entities to be provided in the explanatory notes to the annual consolidated financial statements.

•Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities". This standard was issued in October 2012. The amendment provides an exception to the consolidation of subsidiaries for any entities that qualify as "investment entities", except when subsidiaries provide services that relate to the investment activities carried out by said entities. Unconsolidated subsidiaries must be valued according to IAS 39. Instead, a parent entity of an "investment entity", which is not an "investment entity" itself, must consolidate all entities that it controls (including those controlled through an investment entity). These amendments are required to be applied retrospectively from January 1st, 2014 and have had no impact on the Group.

•Amendments to IAS 32 – Financial Instruments. These amendments set out the requirements for offsetting the financial instruments referred to in IAS 32. They are applicable retrospectively from January 1st, 2014 and have had no significant impact on the Group.

•Amendments to IAS 36 – Impairment of Assets. The amendments were issued in May 2013 in relation to the recoverable amount disclosures for non-financial assets. Specifically, they clarify the disclosures required in the case of impairment or reversals of non-financial assets at fair value, less costs of disposal. They are applicable retrospectively from January 1st, 2014. The effects of the adoption of the new standard are limited to the disclosure relating to interests in other entities to be provided in the explanatory notes to the annual consolidated financial statements.

•Amendments to IAS 39 – Financial Instruments: Recognition and Measurement. These amendments were issued in June 2013 in relation to the novation of derivatives recognised according to hedge accounting. Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated with a central counterparty (CCP), as a consequence of laws or regulations. The amendments are applicable from January 1st, 2014 and have had no significant impact on the Group.

Accounting standards, amendments and interpretations endorsed by the European Union, which will be applicable from January 1st, 2015 and which have not been adopted early by the TOD'S Group.

•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 will be applicable for periods beginning on or after June 17th, 2014 (for the Group, from January 1st, 2015).

• "Annual Improvements to IFRSs: 2010-2012 Cycle" - This document, which was published on December 2013, was 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 July 1st, 2014 (for the Group, from January 1st, 2015).

• "Annual Improvements to IFRSs: 2011-2013 Cycle" – This document, which was published in December 2013, was 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 Group, from January 1st, 2015).

•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 Group, from January 1st, 2015).

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.

•Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (issued on May 6th, 2014).

•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.

•Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (issued on May 12th, 2014).

•Amendments to IAS 16 and IAS 41: Bearer Plants (issued on June 30th, 2014).

•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.

•Amendments to IAS 27: Equity Method in Separate Financial Statements (issued on 12 August 2014).

•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).

•Annual Improvements to IFRSs: 2012-2014 Cycle (issued on September 25th, 2014).

•Amendments to IAS 1: Disclosure Initiative (issued on December 18th, 2014).

•Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (issued on December 18th, 2014).

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 2014		Year 2013	
	Exch. rates as of year end	Average exch. rate	Exch. rates as of year end	Average exch. rate
U.S. dollar	1.214	1.327	1.379	1.328
British pound	0.779	0.806	0.834	0.849
Swiss franc	1.202	1.215	1.228	1.231
Hong Kong dollar	9.417	10.288	10.693	10.298
Japanese yen	145.230	140.306	144.720	129.371
Hungarian forint	315.540	308.654	297.040	296.890
Singapor dollar	1.606	1.681	1.741	1.661
Korean WON	1,324.800	1,397.390	1,450.930	1,453.385
Macao Pataca	9.701	10.597	11.015	10.607
Chinese Renmimbi	7.536	8.173	8.349	8.163
Indian Rupee	76.719	80.969	85.366	77.392
Albanian Lek	140.095	139.958	140.533	140.290
Brazilian real	3.221	3.119	3.258	2.850

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

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

The scope of consolidation at December 31st, 2014 changed in respect to December 31st, 2013 due to the project of Group reorganisation, started last year, which will ultimately result in the ROGER VIVIER brand having its own, autonomous corporate organisation. To execute this reorganisation, the following companies were formed: Roger Vivier France Sas incorporated on April 30th, 2014 99.86% owned by Partecipazioni Internazionali S.r.l. and 0.14% by TOD'S France, Roger Vivier Korea Inc. incorporated on June 9th, 2014 and 100% owned by Partecipazioni Internazionali S.r.l.; Roger Vivier Switzerland S.A. incorporated on June 17th, 2014 and 100% owned by Partecipazioni Internazionali S.r.l., Roger Vivier Japan KK incorporated on October 1st, 2014 and 100% owned by Tod's International BV and Roger Vivier Macau Lda incorporated on November 14th, 2014 and 90% owned by Partecipazioni Internazionali S.r.l. and 10% by Roger Vivier Hong Kong. In addition, during the year there were formed the following entities: TOD'S Georgia Inc. incorporated on March 10th, 2014 and 100% owned by An. Del. Inc, TOD'S Danmark APS incorporated on November 25th, 2014 and 100% owned by Tod's S.p.A. The companies Roger Vivier Switzerland S.A., TOD'S Georgia Inc., Roger Vivier Macau Lda and TOD'S Danmark APS were not operative at December 31st, 2014. Moreover, during 2014 it has been concluded the liquidation process of E-TOD'S.

These operations represent the only changes in the scope of consolidation from the Consolidated Financial Statements at December 31st, 2013.

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 400.000
% 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%

TOD'S Luxembourg SA
Luxembourg
S.C. - euro 31,000.00
% held: 50%

TOD'S Korea Inc.
Seoul - Korea
S.C. - Won 1,600,000,000
% 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 16,000,000
% 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.
Napoli - Italy
S.C. - euro 100,000
% held: 50%

Indirect subsidiaries			
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%			

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

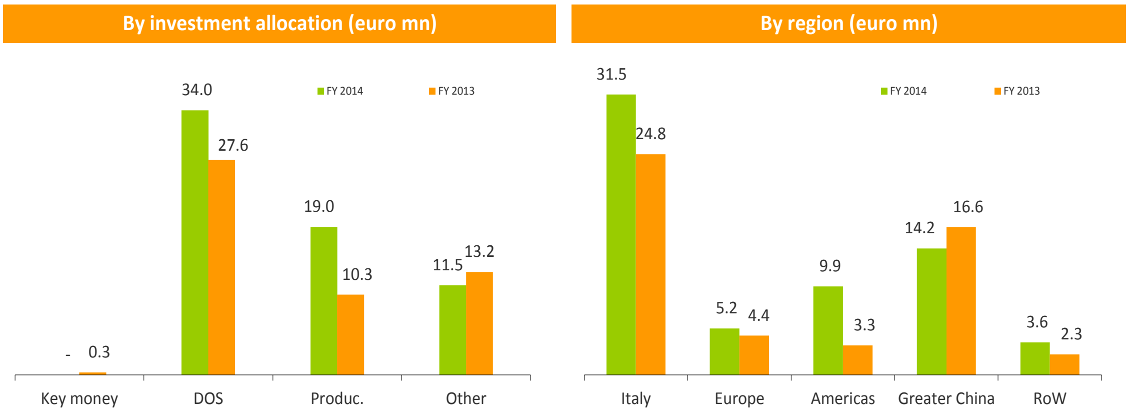
The search for higher levels of operating efficiency has identified as key element for maximising profitability via the sharing of a significant portion of service activities (first and foremost production), both at the central and peripheral levels; on the contrary, segmentation of the business appears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

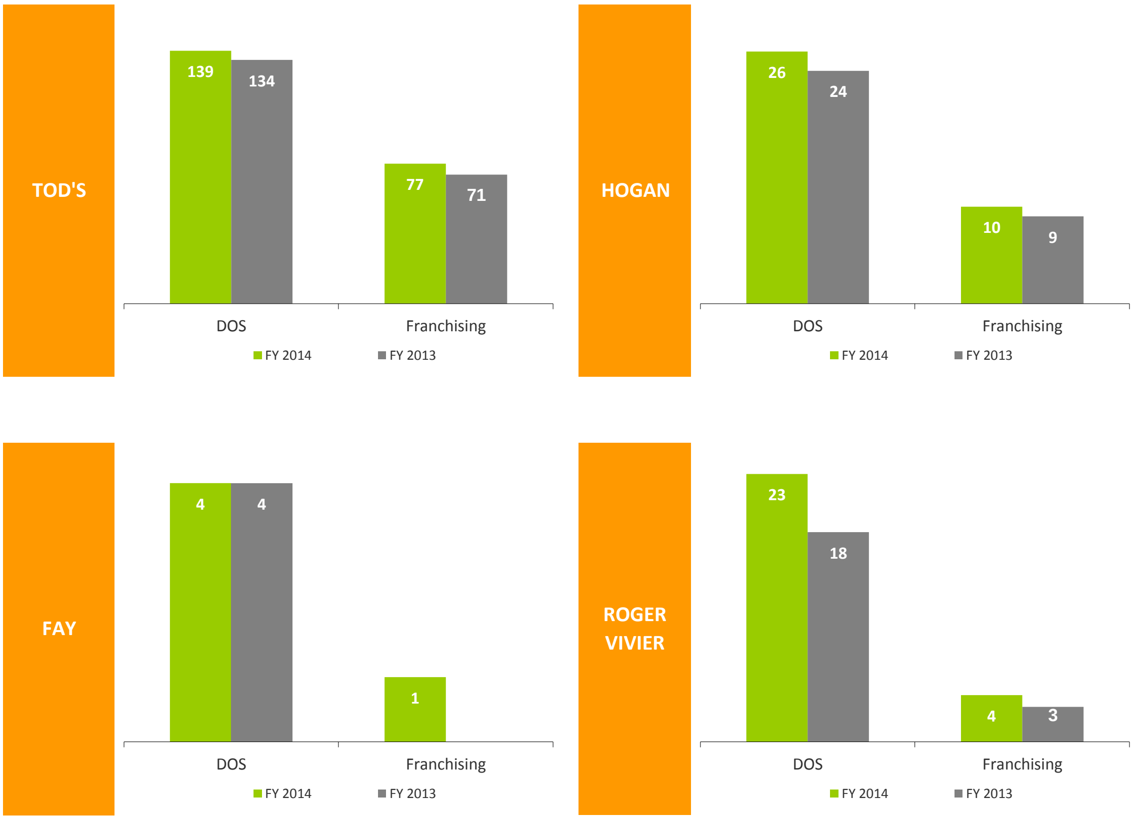
In order to have a more detailed examination, the Report of the Board of Directors, to which reference is made, includes operating information, including a breakdown of consolidated revenues by BRAND, CHANNEL, PRODUCT and REGION. Below are provided some further details for completion.

2014 *Capital expenditures*



Distribution network

TOD'S Group - Distribution channel		Year 14	Year 13
Italy	DOS	43	43
	FRANCHISED STORES	3	3
Europe	DOS	47	44
	FRANCHISED STORES	16	13
Americas	DOS	16	16
	FRANCHISED STORES	2	2
Greater China	DOS	76	69
	FRANCHISED STORES	24	23
RoW	DOS	50	47
	FRANCHISED STORES	48	43
Total DOS		**232**	**219**
Total FRANCHISED STORES		**93**	**84**



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 2014 resulting from wholesale distribution channel are 36.2% of total sales. The Group subjects these revenues to a hedging policy designed to streamline credit management and reduction in the associated risk. In particular, the Group's policy does not envisage granting credit to customers, with periodic analyses of the creditworthiness of all customers, both long-standing and potential ones, in order to monitor and prevent possible solvency crises.

The following table illustrates the ageing of trade receivables outstanding at December 31st, 2014 gross of allowance for doubtful accounts:

In euro 000's		Overdue			
	Current	0 > 60	60 > 120	Over	Total
From third parties	76,996	18,422	3,458	6,004	104,880

The prudent estimate of losses on the entire credit mass existing at December 31st, 2014 was 5.4 million euros. The total amount of overdue receivables at December 31st, 2014 (27.9 million euros) is now about 9.2 million euros.

ii. Liquidity risk

Liquidity risk is the risk that the Group will not dispose of the funds necessary to meet its short-term commitments and financial requirements. The principal 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. In the specific case, the Group's profitability, and its current and historic capacity to generate cash and its relatively insignificant exposure to the banking system are factors that lead to the conclusion that it faces no liquidity risk over the foreseeable future. Also at December 31st, 2014 financial resources were far higher than the Group's debt exposure: net financial position was 130 million euros, comprised by 165.9 million euros in assets and 35.9 million euros in liabilities, including 20.3 million euros in medium-long term liabilities. The Group's policy for financial assets is to keep all of its available liquidity invested in demand bank deposits without recourse to financial instruments, even on the money market, and dividing the deposits amongst a reasonable number of bank counterparties, prudently selecting them according to the return on deposits and their solidity. Finally, it should be noted that on July 23rd, 2014 the parent company TOD'S S.p.A. entered into a loan agreement with two leading banks, which was aimed at setting aside funds for a maximum amount of 400 million euros intended to support the Group's future development (Note 21). At December 31st, 2014 no amount had yet been paid out.

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 2014	FY 2013	FY 2014	FY 2013
CAD	Canada	(48,030.8)	(38,319.9)	53,086.7	42,353.6
CHF	Switzerland	2,245.4	8,224.7	(2,481.8)	(9,090.4)
GBP	UK	3,499.3	171.6	(3,867.6)	(189.6)
HKD	Hong Kong	234,718.0	(158,560.7)	(259,425.2)	175,251.3
JPY	Japan	(118,692.6)	(94,597.8)	131,186.5	104,555.5
KRW	South Korea	69.9	(14.1)	(77.2)	15.6
RMB	China	(1,223,525.8)	27,244.9	1,352,317.9	(30,112.7)
SGD	Singapore	(11,807.0)	(12,769.1)	13,049.8	14,113.2
USD	USA	51,689.1	150,540.5	(57,130.0)	(166,386.9)
EUR	Europe	(78,172.5)	(60,880.3)	86,401.2	67,288.8
Other	n.a.	(1,679.7)	(23,858.7)	1,856.5	26,370.1
Total		**(1,189,686.7)**	**(202,818.9)**	**1,314,916.9**	**224,168.5**

euro 000's	Revaluation / Writedown foreign currency	Impact on pre-tax profit	Impact on Shareholders' equity
FY 2014	5%	1,314.9	(4,890.3)
	-5%	(1,189.7)	5,405.1

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. As the amounts concerned are not significant (Note 21), there were no hedges of interest rates on existing financial liabilities as of December 31st, 2014.

At December 31st, 2014 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 (0.748% quarterly settled). Considering that no amounts had yet been paid out as at December 31st, 2014 in relation to the loan underlying the abovementioned hedging transactions, it should be noted that the effects arising from the IRSs in 2014 have been recognized under an equity reserve for cash flow hedge (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, 2014 would have a net pre-tax impact of about 16 thousand euros in additional expenses (FY 2013: 31 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, 2014 (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	12.31.14	12.31.13
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	12.31.14	12.31.13
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 01.01.13	**20,557**	**3,532**	**7,622**	**17,263**	**28,417**
Translation differences	(4)			(8)	(8)
Increases	300	1,184	4,644	690	6,518
Decreases				(17)	(17)
Impairment losses (Note 9)					
Other changes					
Amortization for the period	(2,434)	(601)	(3,257)	(2,596)	(6,455)
Balance as of 12.31.13	**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**

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 11,209 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, 2014 the net residual value of Group's tangible fixed assets was a 217.8 million euros (FY 2013: 192.3 million euros).

euro 000's	Land and buildings	Plant and machin.	Equip.	Leasehold improv.	Others	Total
Balance as of 01.01.13	**104,334**	**8,222**	**15,060**	**35,428**	**31,678**	**194,722**
Translation differences	(13,449)	4	(29)	(674)	(610)	(14,758)
Increases	906	1,612	8,214	14,067	19,754	44,554
Decreases		(13)	(601)	(296)	(863)	(1,773)
Impairment losses						
Other changes						
Amortization for the period	(1,567)	(1,353)	(6,642)	(11,065)	(9,765)	(30,392)
Balance as of 12.31.13	**90,225**	**8,472**	**16,002**	**37,460**	**40,194**	**192,353**
Translation differences	(169)	(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			(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**

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 is mainly due to the acquisition of a new industrial building near the Group's headquarters under two finance lease agreements.

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 and renovating directly operated stores, of which the enlargement and renovation of the TOD'S flagship store in Madison Avenue in New York is the most important. The increase in Others also includes a cost of 7.6 million euros incurred for the current construction of a new production plant within the area in which the Group headquarters is located. Depreciation from continuing use of the fixed assets during the year amount to 32.8

million euros, while write-downs recognized through profit and loss amount to 2.3 million euros, of which 1.9 million euros are referred to assets that were disposed of in the year and 0.4 million euros are referred to write-downs for impairment (Note 9).

9. Impairment losses

The recoverability of the residual value of intangible assets with an indefinite useful life was determined to ensure that assets with a value higher than the recoverable value were not recognised on the financial statements, which refers to their "value in use". The criterion used to determine "value in use" is based on the provisions of IAS 36, and is based on the current value of expected future cash flows (Discounted cash-flow analysis - DCF), which is presumed to derive from the continual use and disposal of an asset at the end of its useful life, discounted at a net discounting rate that reflects current market rates for borrowing money and the specific risk associated with the individual cash generating unit.
In application of the method prescribed by IAS 36, the TOD'S Group has identified the cash generating units (CGU) that represent the smallest, identifiable group of assets that can generate cash flows and which are fully independent on the consolidated financial statements. The organisational structure and type of business was considered in determining the CGU. The TOD'S Group subsequently identified only one CGU, at a Group level, and it has been tested the net invested capital of the Group. This approach is based on the unified view of the business (also see Note 5 Segment reporting), organised as a matrix structure, which may be alternatively broken down by brand, product, channel and region, according to the different functions/activities on the value chain, where the transverse nature of many central and peripheral service activities (especially the supply chain, sales and distribution, finance and administration, legal, human resources and information technology), ensure maximisation of the levels of profitability. The recoverability of the amounts recognised on the financial statements was verified by comparing the net book value of the net invested capital with the recoverable value (value in use). The value in use is represented by the discounted value of future cash flows that are expected from continuous use of the assets associated with the cash generating unit and by the terminal value attributable to them.
The discounted cash flow analysis was carried out by using the FY 2015 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 8.59% was used (the WACC rate used at December 31st, 2013 was 9.25%), 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 0.4 million euros, as the recovery of their value by means of future cash flows is not reasonably foreseeable as matters stand.

10. Investment property

This account refers to a property owned by the Group as an investment property and leased to third parties.

euro 000's	
Historic cost	115
Accumulated depreciation	(79)
Balance as of 01.01.14	**36**
Increases	
Decreases	
Depreciation for the period	(4)
Balance as of 12.31.14	**32**

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 pre-tax result on the financial statements and taxable income of consolidated subsidiaries, lead to the following tax assets and liabilities:

euro 000's	12.31.14	12.31.13	Change
Deferred tax assets	48,237	49,568	(1,331)
Deferred tax liabilities	(29,360)	(35,254)	5,894
Net Balance	**18,877**	**14,314**	**4,563**

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. In this regard, no significant changes have been reported as at today by the tax departments in the countries where the Group operates. 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	12.31.14		12.31.13	
	Asset	Liabilities	Asset	Liabilities
Property plant and Equipment	2,685	5,780	3,384	5,926
Intangible fixed assets	2,574	29,984	2,776	27,185
Inventory	31,688	697	30,168	1,303
Derivative financial instruments	3,320	929	0	164
Cost deductible over several years	1,468		1,376	
Reserve for employees	1,245	290	1,169	305
Provision for risks	418		710	
Other	110	1,256	481	371
Fiscal losses to carry forward	14,305		9,504	
Total	**57,812**	**38,935**	**49,568**	**35,254**
Net balance		**18,877**		**14,314**

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, 2014, totalled 14.3 million euros (FY 2013: 9.5 million euros). The expiry of the right of use of fiscal losses will start mainly from the year 2017. New deferred tax assets for 5.7 million euros were recognised on the 2014 financial statements for losses that can be carried forward, while, during the year, deferred tax assets for 0.5 million euros have been used on previous year fiscal losses.

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 327,085 thousand euros at December 31st, 2014, and include:

euro 000's	12.31.14	12.31.13	Change
Raw materials	64,661	54,880	9,781
Semi-finished products	9,480	8,198	1,281
Finished products	271,157	238,625	32,533
Advances	1	363	(363)
Write-down	(18,213)	(19,718)	1,505
Total	**327,085**	**282,348**	**44,737**

The allowance for inventory write-downs reasonably reflects the technical and stylistic obsolescence of the Group's inventories at December 31st, 2014. In the course of the year the provision existing at the beginning of the year was used for 3.5 million euros (2.6 million euros in 2013), while the provision set aside in the year amounted to 1.6 million euros (5.1 million euros in 2013).

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	12.31.14	12.31.13	Change
Trade receivables	104,880	100,267	4,613
Allowances for doubtful accounts	(5,435)	(5,941)	507
Net trade receivables	**99,445**	**94,326**	**5,119**

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 2014 totalled 800 thousand euros. The following schedule shows the changes during the year in the allowances for doubtful accounts:

euro 000's	12.31.2014	12.31.2013
Opening balance	**5,941**	**5,220**
Increases	800	2,100
Used during year	(1,306)	(1,379)
Closing balance	**5,435**	**5,941**

14.2 Tax receivables: these total 30,698 thousand euros (FY 2013: 16,859 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 and receivables related to corporate income taxes.

14.3 Other current assets:

euro 000's	12.31.14	12.31.13	Change
Deferred costs	6,786	5,976	810
Others	30,443	28,817	1,626
Total other current assets	**37,229**	**34,793**	**2,436**

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	Sale		Purchase	
	Notional currency	Notional in euro	Notional currency	Notional in euro
U.S. dollar	35,000,000	28,827,938		
Hong Kong dollar	736,000,000	78,156,525		
Japanese yen	1,835,000,000	12,635,130	4,500,000,000	30,985,334
British pound	16,200,000	20,798,562		
Swiss franc	10,100,000	8,399,867		
Chinese renmimbi	480,000,000	63,695,958	12,000,000	1,592,399
Singapore dollar	6,220,000	3,873,459		
Euro	14,280,000	14,280,000	17,559,700	17,559,700
Canadian dollar	5,050,000	3,590,983		
Real Brazil	1,345,000	417,611		
Australian dollar	2,460,000	1,658,912		
Total		**236,334,946**		**50,137,433**

At December 31st, 2014 the derivatives used to hedge exchange risks reported an overall negative fair value of 9,671 thousand euros, i.e. the balance of assets of 1,751 thousand euros (compared to 4,430 thousand euros in 2013) and liabilities of 11,422 thousand euros (compared to 1,876 thousand euros in 2013). At December 31st, 2014 the (net) fair value of the derivatives on currencies used to hedge forecast transactions (i.e. cash flow hedge) as of December 31st, 2014 was equal to liabilities of 4,836 thousand euros. As regards the latter hedging contracts, which were closed in the period from January to December 2014, the transfer of the effect of the hedging transactions to the income statement was equal to 1,410 thousand euros, of which 1,250 thousand euros were entered as a reduction in revenues and 160 thousand euros as an increase in costs.

At December 31st, 2014 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 + 110 basis points) for a contractually fixed rate (0.748% quarterly settled). Considering that no amounts had yet been paid out as at December 31st, 2014 in relation to the loan underlying the abovementioned hedging transactions, the fair value of these derivatives, which was negative for 5,836 thousand euros at December 31st, 2014, was fully recognized under the equity reserve for cash flow hedge, net of the related tax effect.

16. Cash and cash equivalents

Cash and cash equivalents are related to cash and bank deposits for 165,949 million euros (228,178 million euros at December 31st, 2013). 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, 2014.

18. Equity

18.1 Share capital. At December 31st 2014 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, 2014 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 2014 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, 2014. Such reserve has not changed in respect of last year.

18.3 Hedging and translation reserves. The following schedule illustrates the changes occurred in 2014:

euro 000's	Translation Reserve	Hedging Reserve	Total
Balance as of 01.01.13	**(1,110)**	**2,345**	**1,235**
Increase in fair value of hedging derivatives		(937)	(937)
Exchange differences	(8,420)	25	(8,395)
Transfer to P&L Account of hedging derivatives		(2,805)	(2,805)
Others			
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 12.31.14	**419**	**(9,166)**	**(8,747)**

The hedging reserve includes the measurement of derivatives, (currency forward contracts - see Note 15), which hedged forecast transactions (i.e. cash flow hedges), net of tax effects. Such reserve includes even some intercompany transactions, for which derivatives have been expired at December 31st, 2014, that will be transferred to the income statement when sales will be realized versus third customers. Other changes for the period relate to the effects of forward transactions effected 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 period	Total
Balance as of 01.01.13	**335,322**	**145,461**	**480,783**
Allocation of 2012 result	62,816	(62,816)	
Dividends		(82,645)	(82,645)
Profit for the period		133,780	133,780
Other changes	(836)		(836)
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 12.31.14	**445,889**	**97,114**	**543,003**

During the year, part of the net income for 2013 was distributed in the form of a dividend of 2.70 euros per share resolved by the Shareholders' Meeting of the parent company TOD'S S.p.A. on April 17th, 2014. 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 17th, 2014, the parent company TOD'S S.p.A. paid the shareholders dividends in May for the net income realised in 2013. The aggregate amount of the dividends paid is 82,645,382.70 euros, at the rate of 2.70 euros for each of the 30,609,401 shares representing the share capital at the coupon detachment date (May 19th, 2014). Moreover, other Group companies distributed dividends of 257 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 2014 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 61,218,802 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. Provisions and contingent liabilities and assets

19.1 Provisions for risks. They include 3,417 thousand euros (3,651 thousand euros in 2013) as the prudent estimate of liabilities that the Group might incur on pending lawsuits. Accruals for the year totalled 647 thousand euros (1,778 thousand euros in 2013).

19.2 Contingent liabilities and other commitments.

i. Guarantees granted to third parties. At December 31st, 2014 the Group had provided guarantees amounting to 13,904 thousand euros (compared to 15,737 thousand euros in 2013) against the contract commitments undertaken by some Group companies. The guarantees mainly consist of a surety of 10,912 thousand euros issued against the commitment to finance the Coliseum restoration works, the financial liability of which has been recognised in full in the accounts (Note 7 and 22), and a surety of 1,300 thousand euros issued to the Teatro alla Scala Foundation, in connection with obtaining the status of Permanent Founding Member, now cancelled as the commitments concerned have been fulfilled.

ii. Guarantees received from third parties. Guarantees received by the TOD'S Group from banks as security for contractual commitments totalled 14,547 thousand euros (13,702 thousand euros in 2013).

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 Bank Ireland PLC for JPY 1,000 million euros (6.9 million euros), and a first mortgage in favour of Société Européenne de Banque for JPY 5,652.8 million euros (38.9 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 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 2014, the residual face value of the principal for the two bonds amounted to JPY 2,939 million euros (20.2 million euros).

There is a first mortgage registered for 30 million euros on an owned property (the production plant located in Sant'Elpidio a Mare) to secure the principal borrowed and all the expenses under the loan agreement, which is in the process of being cancelled after the total repayment of the loan.

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 2015. Furthermore, the Parent 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 15 and 21). The effects of these derivative contracts will mature during the set term of the underlying loan agreement.

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 rents still owed by the Group under current agreements were as follows:

euro mn	2014	2013
2014		71.7
2015	85.6	64.7
2016	82.4	54.7
2017	71.9	45.7
2018	57.1	37.6
2019	41.2	
Over 5 years	133.9	109.9
Total	**472.1**	**384.4**

Operating lease instalments, included in the Costs of use of third party assets, totalled 96.2 million euros in the year 2014.

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, 2014, the liability accrued *vis-à-vis* employees was 2,570 thousand euros (December 31st, 2013: 2,290 thousand euros), and relating only to the two 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 699 thousand euros.

20.2 Defined benefit plans. Following the statutory amendments introduced beginning January 1st, 2007, employee severance indemnities, a deferred payment plan in favour of all employees of the Group's Italian companies, were classified as a defined benefits plan (IAS 19) only for firms with less than 50 employees, for which the Group's obligation is not related with payment of the contributions accrued on the paid compensation, but extends until the end of the employment relationship, or, for companies with more than 50 employees, for the liability accrued until 2007[(1)]. For these types of plans, the principle requires that the accrued amount be projected into the future in order to determine the amount to be paid upon termination of the employment relationship, with an actuarial assessment that accounts for the rate of rotation of employees, expected evolution of compensation, and other factors.

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

- Discounting rate: 1.49%

  It is related to the average yield curve from IBOXX Eurozone Corporates AA of December 2014.

- Inflation rate: 0.6% for the year 2015, 1.2% for the year 2016, 1.50% for the year 2017 and 2018, 2% for the year 2019 on;
- TFR incremental rate: 1.950% for the year 2015, 2.4% for the year 2016, 2.625% for the year 2017 and 2018, 3% for the year 2019 on.

The table below shows the variation of the liability occurred in 2014:

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[1] The statutory amendment envisaged that for firms with more than 50 employees, the employee severance indemnities accrued from 1st January 2007 had to be allocated to supplemental retirement plans (pension funds) or, alternatively, to a Treasury Fund set up at the INPS (Italian National Social Security Institute). Since all obligations of firms towards their employees ceased starting on 1st January 2007, all accrued employee severance indemnities are covered by the rules governing defined contribution plans for the liability accrued from such date.

euro 000's	Year 2014	Year 2013
Opening balance	**8,844**	**9,640**
Current benefits	95	98
Financial expenses	290	118
Benefits paid	(455)	(419)
Actuarial gains/(losses)	1,259	(623)
Other	(21)	29
Closing balance	**10,012**	**8,844**

21. Financial liabilities

The Group's financial liabilities at December 31st, 2014 are broken down as follows:

euro 000's	12.31.14	12.31.13	Change
Current account overdraft	10,988	21,077	(10,088)
Financing and other financial liabilities- short term	4,650	4,889	(239)
Total financial liabilities short-term	**15,638**	**25,966**	**(10,327)**
Financing and other financial liabilities - long term	20,298	21,087	(789)
Total financial liabilities	**35,936**	**47,053**	**(11,117)**
Total Financing - and other financial liabilities (short/long term)	*24,948*	*25,976*	*(1,028)*

Financing and other financial liabilities. At December 31st, 2014 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
Leasing	Medioleasing S.p.A.	Eur	2023/2024	3,418	3,418
Notes A-1	Intesa SanPaolo	Jpy	2017	394,349	2,715
Notes A-2	Société Eurepéenne de Banque	Jpy	2021	2,545,075	17,524
Total financing					**23,658**
Other financial liabilities		Inr	n.a.	98,965	1,290
Total financing and other financial liabilities					**24,948**

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: 2,715 thousand euros, and Note A-2: 17,524 thousand euros) and the interest accrued for the year, 30 thousand euros and 207 thousand euros, respectively, and the effect of fair value measurement upon initial recognition, for 14 thousand euros and 386 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.

euro 000's	Leasing	Notes A1	Notes A2	Total
2015	219	849	2,291	3,360
2016	228	879	2,139	3,246
2017	238	987	2,196	3,421
2018	248	-	2,254	2,503
2019	259	-	2,315	2,574
Over 5 years	2,225	-	6,330	8,555
Total	**3,418**	**2,715**	**17,524**	**23,658**

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		12.31.14
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**

Financial liabilities by currency		12.31.13
Currency 000's	Local Currency	Euro
Jpy	3,048,285	21,064
Eur	13	13
Total bank overdrafts		**21,077**
Jpy	3,348,938	23,141
Inr	86,057	1,014
Eur	1,821	1,821
Total financing and financial liabilities		**25,976**
Total financial liabilities		**47,053**

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 + 110 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 fixed rate of 0.748% quarterly settled. At December 31st, 2014 no amount had yet been paid out in relation to this loan.

22. Other non current liabilities

The balance for this item, 16,619 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 12,877 million euros (16,682 million euros at December 31st, 2013). 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. 14	12.31. 13	Change
Trade payables	160,220	152,619	7,601
Tax payables	9,015	7,809	1,206
Other liabilities			
Payables due to employees	10,429	9,784	645
Social security institutions	6,442	6,173	270
Other	24,473	19,321	5,152
Total other liabilities	**41,345**	**35,278**	**6,067**

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 965,5 million euros (967.5 million euros in 2013), substantially in line with the previous year. For further comments on consolidated revenues see the report on operations.

The item "Other income" amounts to 10.5 million euros (15.6 million euros in 2013) and it mainly includes active royalties and insurance reimbursements.

25. Personnel costs

The personnel costs incurred by the Group in FY 2014 as compared with those for FY 2013 are illustrated as follows:

euro 000's				% on sales	
	Year 2014	Year 2013	Change	2014	2013
Wages and salaries	122,801	116,088	6,713	12.7	12.0
Social security contributions	32,411	30,544	1,867	3.4	3.2
Employee sev. Indem. (service cost)	5,174	5,033	141	0.5	0.5
Total	**160,386**	**151,665**	**8,722**	**16.6**	**15.7**

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

	12.31.14	12.31.13	Average 14	Average 13
Executives	50	52	50	50
White-collar Employees	2,981	2,825	2,935	2,728
Blue-collar Employees	1,266	1,267	1,254	1,256
Total	**4,297**	**4,144**	**4,239**	**4,034**

26. Financial income and expenses

The breakdown of financial income and expenses in fiscal 2014 is as follows:

euro 000's	Year 14	Year 13	Change
Income			
Interest income on current account	905	1,880	(975)
Foreign exchange gains	22,318	15,999	6,319
Other	179	322	(143)
Total income	**23,403**	**18,201**	**5,201**
Expenses			
Interest on medium-long term financing	(590)	(730)	140
Interest on short term borrowings	(169)	(329)	160
Foreign exchange losses	(24,719)	(18,417)	(6,302)
Other	(1,724)	(708)	(1,016)
Total expenses	**(27,202)**	**(20,184)**	**(7,018)**
Total net income and expenses	**(3,799)**	**(1,983)**	**(1,816)**

27. Income taxes

Tax expenses allocable to FY 2014, including deferred taxes, totalled 47.6 million euros, and are broken down into current and deferred taxes as follows:

euro 000's	Year 14	Year 13
Current taxes	47,822	59,893
Deferred taxes	(203)	(2,721)
Total	**47,619**	**57,172**
Tax rate	(33.0%)	(29.9%)

The parent company's theoretical tax rate for FY 2014 (impact of theoretical tax on pre-tax profit) was 34.2%, determined by applying the IRES and IRAP tax rates applicable to 2014 taxable income as reported on the financial statements, while the theoretical tax rate for FY 2014 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	**49.4**	**34.2**
Tax effect of non-deductible or partially deductible costs	2.7	1.9
Effect connected with the different rates of the foreign subsidiaries	(4.5)	(3.1)
Effective income taxes	**47.6**	**33.0**

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 14	Year 13
Profit used to determine basic earning per share	97,114	133,780
Dilution effects		
Profit used to determine diluted earning per share	**97,114**	**133,780**

euro 000's For continuing operations	Year 14	Year 13
Profit for the year	97,114	133,780
Income (Loss) from discontinued operations		
Profit used to determine basic earning per share	**97,114**	**133,780**
Dilution effects		
Profit used to determine diluted earning per share	**97,114**	**133,780**

In both fiscal 2014 and 2013, 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 14	Year 13
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 2014 is based on the net consolidated income allocable to holders of ordinary shares of the parent company TOD'S S.p.A., totalling 97,114 thousand euros (133,780 thousand euros in 2013), and on the average number of ordinary shares outstanding during the same period, totalling 30,609,401 (unchanged respect to year 2013).

iii.Diluted earnings per share. Calculation of the diluted earnings per share for the period January-December 2014 coincides with calculation of earnings per share, due to the fact that there are no items which produce dilution effects.

29. Transaction with related parties

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

(i) complete, prompt transmission of material information to the delegated Board of Directors committees (the Control and Risk Committee and the Independent Directors Committee, each within the ambit of their delegated responsibilities, where the majority or all members of these committees are independent directors), who in the performance of their functions also avail themselves of the assistance of independent experts;

(ii) the issuance of an opinion (either binding or non-binding, as applicable) before approval of the transaction by the Board of Directors (or, if appropriate, by the body delegated to resolve on the transaction). All transactions – which are connected with the normal operations of TOD'S Group companies – were executed solely on behalf of the Group by applying contractual conditions consistent with those that can theoretically be obtained on an arm's length basis.

Most significant transactions concluded during the period

During the year 2014 no further transactions with related parties have been concluded except for the ones commented in the following paragraph.

Related party transactions at December 31st 2014

In continuation of contractual relationships already existing in 2013, the TOD'S Group continued to maintain a series of contractual relationship with related parties (directors/controlling or significant shareholders) in 2014. 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 2014					
Parent Company (*)	11,921	51			10
Directors					
Exec. with strat. respons.					
Total	**11,921**	**51**	**-**	**-**	**10**
Year 2013					
Parent Company (*)	9,313	60		14	4
Directors					
Exec. with strat. respons.					
Total	**9,313**	**60**	**-**	**14**	**4**

(*) 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 2014					
Parent Company (*)	642	51	9,257	4,361	18
Directors					
Exec. with strat. respons.					
Total	**642**	**51**	**9,257**	**4,361**	**18**
Year 2013					
Parent Company (*)	651	145	8,533	4,129	5
Directors					
Exec. with strat. respons.					
Total	**651**	**145**	**8,533**	**4,129**	**5**

(*) 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 euro 000's	12.31.14 Receivables	12.31.14 Payables	12.31.13 Receivables	12.31.13 Payables
Parent Company (*)	2,992	5,012	2,331	4,178
Directors				
Exec. with strat. respons.				
Total	**2,992**	**5,012**	**2,331**	**4,178**

(*) 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 2014 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 (*)	1,831.5	8.7					
Andrea Della Valle (**)	1,231.8	9.0					
Luigi Abete	31.5	15.6					
Maurizio Boscarato	31.8	9.0				220.0	(2)
Luigi Cambri	31.8	24.6				9.0	(4)
Luca C. di Montezemolo	30.3						
Emanuele Della Valle	31.2						
Fabrizio Della Valle (****)	231.8	9.0					
Emilio Macellari (****)	231.8	9.0				480.0	(2)
Pierfrancesco Saviotti	30.9	23.4					
Stefano Sincini (***)	315.8	9.0	4.0		336.3	111.0	(1)
Vito Varvaro	26.5	7.8					
Total	**4,056.7**	**125.1**	**4.0**		**336.3**	**820.0**	
Statutory Auditors							
Giulia Pusterla (*****)	90.0						
Enrico Colombo	61.2					36.0	(3) (4)
Fabrizio Redaelli	60.0						
Total	**211.2**					**36.0**	
Executives with strategic responsibilities			7.0	16.9	660.0	6.0	(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

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

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

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 2014.

31. Significant events occurred after the end of the period

No significant events occurred after the end of the period.

TOD'S s.p.a.

TOD'S S.p.A. - IAS/IFRS Annual Report as of December 31st, 2014

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, 2014, 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 2014 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 12th, 2015.
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 2014 financial year, the typical economic reference indicators (Revenues, EBITDA and EBIT) have been recalculated by applying the average exchange rates for 2013, 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 performances

The volatility in the global luxury goods markets heightened progressively at the end of the year. The first signs of weakness in this market had already started to be seen in 2013. Following our industrial mid-term perspective, the Company, according to schedule, put in hand all the planned investments in human resources, production capacity, style, research and communication in order to strengthen and enhance its brands' image and appeal. With a view to its strategic development, on July 23rd, 2014 the Company entered into a loan agreement with two leading banks, which was aimed at setting aside funds to a maximum amount of 400 million euros intended to support the development and related investments in the medium term.

Sales during the year amounted, therefore, to 672.3 million euros: cross rates being constant, i.e. using the same average rates as in 2013, revenues would have amounted to 676.2 million euros. At December 31st, 2013 sales had been equal to 652.4 million euros.

EBITDA and EBIT for the year amounted to 138.5 million euros and 117 million euros. Gross and net operating margins would increase up to 142.9 million euros and 121.5 million euros, respectively, exchange rates being constant, accounting for 21.1% and 18% of revenues. The net profit for the year came to 78.4 million euros.

euro 000's Main economic indicators	Year 14	Year 13	Change	%
Sales revenues	672,280	652,366	19,914	3.1
EBITDA	138,477	145,707	(7,230)	(5.0)
Deprec., amort., write-downs and advances	(21,437)	(19,987)	(1,450)	7.3
EBIT	117,040	125,720	(8,680)	(6.9)
Profit before taxes	117,177	143,162	(25,985)	(18.2)
Profit for the year	78,414	101,502	(23,088)	(22.7)
Foreign exchange impact on revenues	3,958			
Adjusted sales revenues	676,238	652,366	23,872	3.7
Impact on operating cost	473			
Adjusted EBITDA	142,908	145,707	(2,799)	(1.9)
Adjusted EBIT	121,497	125,720	(4,223)	(3.4)
EBITDA %	20.6	22.3		
EBIT %	17.4	19.3		
Adjusted EBITDA %	21.1	22.3		
Adjusted EBIT %	18.0	19.3		

euro 000's Main Balance Sheet indicators	12.31.14	12.31.13	Change
Net working capital (*)	229,508	186,600	42,908
Intangible and tangible fixes assets	266,260	256,148	10,112
Other current assets/liabilities	115,433	117,016	(1,583)
Invested capital	**611,201**	**559,764**	**51,437**
Net financial position	33,022	100,348	(67,326)
Shareholders' equity	**644,223**	**660,112**	**(15,889)**
Capital expenditures	29,202	22,098	7,104
Cash flow from operations	62,337	158,382	(96,045)
Free cash flow	(65,729)	39,406	(105,135)

(*) Trade receivables + inventories - trade payables

Revenues. Revenues rose overall by 3.1% in the period compared with 2013, driven particularly by brilliant performances in the Rest of the World, European and American markets. The domestic market confirmed its weakness, which affected the results of brands HOGAN and FAY, more exposed to Italy, while sales of the TOD'S and ROGER VIVIER brands rose substantially compared with the previous year. All product categories registered positive growth rates; leather goods stood out with a rise in double-digit figures.

euro 000's	FY 14	%	FY 13	%	Change	%
Brand						
TOD'S	356,984	53.1	335,146	51.4	21,838	6.5
HOGAN	181,547	27.0	188,381	28.9	(6,834)	(3.6)
FAY	52,439	7.8	53,136	8.1	(697)	(1.3)
ROGER VIVIER	75,319	11.2	70,440	10.8	4,879	6.9
Other	5,991	0.9	5,263	0.8	728	13.8
Total	**672,280**	**100.0**	**652,366**	**100.0**	**19,914**	**3.1**
Product						
Shoes	504,614	75.1	497,188	76.2	7,426	1.5
Leather goods	101,772	15.1	92,020	14.1	9,752	10.6
Apparel	59,890	8.9	58,073	8.9	1,817	3.1
Other	6,004	0.9	5,085	0.8	919	18.1
Total	**672,280**	**100.0**	**652,366**	**100.0**	**19,914**	**3.1**
Region						
Italy	276,179	41.1	284,744	43.6	(8,565)	(3.0)
Europe	168,215	25.0	152,051	23.3	16,164	10.6
Americas	51,386	7.6	46,114	7.1	5,272	11.4
Greater China	137,963	20.5	140,100	21.5	(2,137)	(1.5)
RoW	38,537	5.7	29,357	4.5	9,180	31.3
Total	**672,280**	**100.0**	**652,366**	**100.0**	**19,914**	**3.1**

In 2014, revenues from the TOD'S brand came to 357 million euros, recording an increase of 6.5%. The HOGAN and FAY brands recorded a slight decline of 3.6% and 1.3%, respectively, compared to 2013, which, as reported above, was mainly caused by the weakness of the domestic market.

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 75.3 million euros (70.4 million euros in 2013), recording a growth rate of 6.9% compared to 2013.

As regards product categories, sales data confirm the Company's indisputable leadership in its footwear core business, the revenues of which amounted to 504.6 million euros in 2014 (compared to 497.2 million euros at December 31st, 2013), accounting for 75.1% of turnover. There were excellent double-digit figure growth rates in revenues from leather goods and accessories, which came to 101.8 million euros (92 million euros at December 31st, 2013), accounting for 15.1% of total turnover. Sales of clothing came to 60 million euros (58.1 million euros), recording an increase of 3.1% compared to 2013.

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 except for Greater China, which was penalised by weak consumption of luxury goods in mainland China and the anti-government demonstrations in Hong Kong. In Europe, revenues turned in brilliant double-digit figure increases (10.6%), reporting revenues of 168.2 million euros (152.1 million euros in 2013). The same trend was observed in the American markets, which recorded a double-digit growth rate of 11.4% compared to 2013. A significant growth was recorded in the area of the "Rest of the world", which reported revenues of 38.5 million euros (29.3 million euros in 2013), showing an increase of 31.3% compared to the previous year.
In Italy revenues amounted to 276.2 million euros in 2014. The proportion of sales in the domestic market fell further, accounting for 41.1% of total revenues in 2014 compared to 43.6% in the previous year.

Operating results. EBITDA in 2014 totalled 138.5 million euros, equivalent to 20.6% of net sales. In 2013 EBITDA amounted to 145.7 million euros, with a margin of 22.3%.
This result was negatively 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 2013, EBITDA would amount to 142.9 million euros, and be equivalent to 21.1% of revenue.
Personnel expenses registered a further growth in respect of 2013 related to the reinforcement of corporate level operating functions in support of business development.
Amortisation, depreciation expenses and write offs of fixed assets totalled 18.5 million euros in 2014 (16.8 million euros in 2013), and represent 2.7% of sales revenues. Net of 2.9 million euros for provisions, EBIT of the year 2014 amounted to 117 million euros. At December 31st EBIT was equivalent to 17.4% of Company's sales revenues. On a comparable exchange rate basis, EBIT would have amounted to 121.5 million euros, equivalent to 18% of sales revenues.
In 2013 operating income was 125.7 million euros, or 19.3% of sales revenues.
The net financial income for the year was 0.1 million euros, mainly related to the changes in the exchange rates for the euro and the main currencies used by the Company, in respect to the exchange rates used in hedging of foreign currency transactions.
A total of 0.1 million euros were received as dividends in 2014 from subsidiaries.
Net of the tax effect for current and deferred income taxes, totaling 38.8 million euros (FY 2013: 41.7 million euros), for a tax rate of 33.1% as opposed to 29.1% in 2013, the profit for the year amounted to 78.4 million euros, compared with 101.5 million euros of the previous year. The profit at December 31st, 2014 was equivalent to 11.7% of revenue.

Capital expenditures. Capital expenditures made in the 2014 financial year amounted to 29.2 million euros, as against the 22.1 million euros in 2013.

Around 6.8 million euros of operating resources were set aside for the supply of additional industrial equipment for the creation of the collections (lasts and moulds). A significant quota of investments, 3 million euros in the year, was also allocated to the development of the company information systems, while 1 million euros were invested in safeguarding the company trademarks, which are one of its most strategic assets.

Net financial position (NFP). Net financial position at December 31st, 2014 totalled 33 million euros in respect to the beginning of the year when it was 100.3 million euros. Gross of dividends paid in 2014 for 82.6 million euros, the net financial position would be 115.6 million euros.

euro 000's Net financial position	12.31.14	12.31.13	Change
Current financial assets			
Cash and cash equivalents	36,440	102,169	(65,729)
Cash and cash equivalents	**36,440**	**102,169**	**(65,729)**
Current financial liabilities			
Current account overdraft			
Current share of medium-long term financing	(219)	(1,821)	1,602
Current financial liabilities	**(219)**	**(1,821)**	**1,602**
Current net financial position	**36,221**	**100,348**	**(64,127)**
Non-current financial liabilities			
Medium-long term financing	(3,199)		(3,199)
Non-current financial liabilities	**(3,199)**		**(3,199)**
Net financial position	**33,022**	**100,348**	**(67,326)**

Self-funding amounted to 106.5 million euros during the year (121.5 million euros in 2013). Increased the cash flow used for investing activities, amounting to 45.8 million euros for the year 2014. The free cash flow of the year 2014, negative for 65.7 million euros, was impacted mainly by the financial effects generated by the reduction of the operating result, already commented above, and by the physiological growth of operating working capital, mainly related to cash resources used to finance the temporary growth of finished products stock related to the next spring-summer collection which will generate cash during the next year.

euro 000's Statement of cash flow	Year 14	Year 13
Profit (loss) for the period of the Company	**78,414**	**101,502**
Non-cash items	28,117	20,009
Cash flow (A)	**106,531**	**121,511**
Changes in operating net working capital (B)	(44,194)	36,871
Cash Flow from operations (C) = (A)+(B)	**62,337**	**158,382**
Cash Flow generated (used) in investing activity (D)	(45,827)	(32,381)
Cash Flow generated (used) in financing activity (E)	(82,239)	(86,595)
Cash Flow generated (used) (C+D+E)	**(65,729)**	**39,406**
Net Cash and cash equivalents at the beginning of the period	102,169	62,763
Net Cash and cash equivalents at the end of the period	36,440	102,169
Change in net cash and cash equivalents	**(65,729)**	**39,406**

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, 2014, the share capital of TOD'S S.p.A. consists of 30,609,401 shares, with a par value of 2 euros each.

Own shares and shares or quotas of controlling companies. As of December 31st, 2014 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 19th, 2012, 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 12th 2015, 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 2014, 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 12th, 2015, the Board of Directors of Tod's S.p.A. approved, in compliance with Article 123-ter of Legislative Decree 58 of February 24, 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 2015 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 2014 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 22nd, 2015, 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 2014 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 2013 Annual Report that had the same effects.

All information regarding existing relations with related parties in 2014 are set out in the supplementary notes.

Management and coordination activities

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

TOD'S S.p.A. is not subject to management and coordination by the parent company DI.VI. Finanziaria di Diego Della Valle & C. S.r.l. or any other party pursuant to Sections 2497 et seq. Italian Civil Code.
Pursuant to the Corporate Governance Code, transactions that have a particularly significant impact on TOD's S.p.A. strategy, operations, assets, liabilities, and financial position are subject to exclusive review and approval by the Board of Directors of the issuer TOD'S S.p.A. Its members include independent directors without executive responsibilities at the company, in accordance with the rules set out in Article 3 of the Corporate Governance Code.
The expertise and authority of the independent directors without executive responsibilities and their material impact on decisions taken by the Board of Directors represent a further guarantee that all decisions by the Board of Directors are taken exclusively on behalf of TOD'S S.p.A. without being influenced by instructions or interference by third parties representing interests opposed to the Company's.
All subsidiaries of TOD'S S.p.A. are subject to management and coordination by the issuer. This activity consists in defining the general strategic policies for the Group, the internal control and risk management system, and the elaboration of general policies for management of the most important operating drivers (human, financial, productive, marketing and communication resources), without impairing the complete managerial and operating autonomy of the subsidiaries.

Significant events occurring after the end of the fiscal year

No significant events occurred after the end of the period.

Business outlook

In the year 2014 the Company recorded a temporary slowdown in operating profits, due to our strategic decision to continue to invest in production capacity, communication, research and, especially, in the retail distribution network, despite a particularly challenging environment, characterized by weak consumer spending in major markets for luxury goods.
Aware of the financial and patrimonial solidity, the Company continued to focus on the mid/long-term view, to preserve the quality, the awareness and prestige of the brands.
Concerning the current year, even in an uncertain and demanding macro-economic environment, which continues to be characterized by an high volatility of the markets, the confirmation of expectations for the beginning of the summer collection, already in the stores, the enthusiasm

shown by the press for the fall winter collections, and the positive trend of the current sale campaign, indicate that the Company return to growth in revenue and profits.

Motion for allocation of the profit for the year

It is proposed that the net profit for FY 2014, 78,413,899.95 euros, be allocated as follows:

i. 16,227,486.46 euros to the extraordinary reserve;

ii. 61,218,802 euros, to be distributed to shareholders in the form of a dividend of 2 euros per share for each of the outstanding 30,609,401 shares;

iii. 967,611.49 euros to the specific reserve for promoting territorial solidarity projects.

Milan, March 12th, 2015

The Chairman of the Board of Directors
Diego Della Valle

TOD'S s.p.a.

Financial Statements

Income statement

euro 000's	Notes	Year 14	Year 13
Revenues			
Sales revenues (1)	22	672,280	652,366
Other income	22	7,380	12,742
Total revenues and income		**679,660**	**665,108**
Operating costs			
Change in inventories of work in process and finished goods		17,179	(21)
Cost of raw materials, supplies and material for consumption		(267,688)	(250,208)
Costs for services		(173,321)	(158,154)
Costs of use of third party assets	17.4	(19,050)	(17,654)
Personnel costs	23	(79,016)	(75,748)
Other operating charges		(19,286)	(17,616)
Total operating costs		**(541,183)**	**(519,401)**
EBITDA		**138,477**	**145,707**
Amortisation, depreciation and write-downs			
Amortisation of intangible assets	5	(6,603)	(6,323)
Depreciation of tangible assets	6-7	(11,155)	(10,483)
Other adjustment		(763)	
Total amortisation, depreciation and write-downs		**(18,522)**	**(16,806)**
Provisions	13-17	(2,915)	(3,181)
EBIT		**117,040**	**125,720**
Financial income and charges			
Financial income	24	14,267	10,506
Financial expenses	24	(14,187)	(11,064)
Total financial income (expenses)		**80**	**(558)**
Income (losses) from equity investments		57	18,000
Profit before taxes		**117,177**	**143,162**
Income taxes	10-26	(38,763)	(41,660)
Profit for the period		**78,414**	**101,502**
EPS (Euro)		2.56	3.32
EPS diluted (Euro)		2.56	3.32

Note:

[1] Sales revenues include transactions with the Group's entities for 311.2 and 289.9 million euros, respectively, in the fiscal year 2014 and 2013.

Statement of Comprehensive Income

euro 000's	Notes	Year 14	Year 13
Profit/(loss) for the period (A)		**78,414**	**101,502**
Other Comprehensive Income that will be reclassified subsequently to profit and loss:			
Gain/(Losses) on derivative financial instruments (cash flow hedge)	16.3	(9,300)	(536)
Total other Comprehensive Income that will be reclassified subsequently to profit and loss (B)		**(9,300)**	**(536)**
Other Comprehensive Income that will not be reclassified subsequently to profit and loss:			
Cumultated actuarial gains/losses) on defined benefit plans	18	(1,018)	514
Total other Comprehensive Income that will not be reclassified subsequently to profit and loss (C)		**(1,018)**	**514**
Total Comprehensive Income (A)+(B)+(C)		**68,096**	**101,480**

Statement of Financial Position

euro 000's	Notes	12.31.14	12.31.13
Non current assets			
Intangible fixed assets			
Assets with indefinite useful life	5	150,919	150,919
Others	5	27,163	27,972
Total intangible fixed assets		**178,082**	**178,891**
Tangible fixed assets			
Buildings and land	6	45,878	40,698
Plant and machinery	6	7,486	7,254
Equipment	6	13,188	13,661
Leasehold improvement	6	5,422	6,078
Others	6	16,204	9,566
Total property, plant and equipment		**88,178**	**77,257**
Other assets			
Investments properties	8	32	36
Equity investments	9	174,422	156,468
Deferred tax assets	10		
Others	11	2,571	3,327
Total other assets		**177,025**	**159,831**
Total non-current assets		**443,285**	**415,979**
Current assets			
Inventories	12	179,788	155,784
Trade receivables (1)	13	196,968	168,916
Tax receivables	13	16,691	10,784
Derivative financial instruments	14	93	4,135
Others	13	28,384	30,186
Cash and cash equivalents	15	36,440	102,169
Total current assets		**458,364**	**471,974**
Total assets		**901,649**	**887,953**

to be continued

Note:
[1] Trade receivables include receivables from Group's entities for 119.3 and 93.3 million euros, respectively, at December 31st, 2014 and December 31st, 2013.

continuing

euro 000's	Notes	12.31.14	12.31.13
Shareholders' equity			
Share Capital	16	61,219	61,219
Capital reserves	16	213,975	213,975
Treasury stock	16		
Hedging reserve	16	(8,011)	1,289
Retained earnings	16	298,626	282,127
Profit/(Loss) for the period	16	78,414	101,502
Shareholders' equity		**644,223**	**660,112**
Non-current liabilities			
Provisions for risks	17	4,048	2,730
Deferred tax liabilities	10	19,499	20,278
Employee benefits	18	8,409	7,504
Bank borrowings	19	3,199	
Other	20	16,189	19,797
Total non-current liabilities		**51,344**	**50,309**
Current liabilities			
Trade payables (2)	21	147,248	138,100
Tax payables	21	5,333	5,163
Derivative financial instruments	14	16,568	436
Other	21	36,715	32,012
Bank	19	219	1,821
Total current liabilities		**206,083**	**177,532**
Total Shareholders' equity and liabilities		**901,649**	**887,953**

Note:

(2) Trade payables include payables to Group's entities for 10.5 and 9.9 million euros, respectively, at December 31st, 2014 and December 31st, 2013.

Statement of Cash Flows

euro 000's	Notes	Year 14	Year 13
Profit/(Loss) for the period		**78,414**	**101,502**
Non-cash adjustments:			
Amortizat., deprec., revaluat., and write-downs	5-6-7-8-10-12-13	16,816	19,495
Change in reserve for employee	18	(112)	(253)
Change in deferred tax assets/liabilities	10	(780)	911
Other non monetary expenses/(income)	14-16-17	12,193	(144)
Cash flow (A)		**106,531**	**121,511**
Change in current assets and liabilities:			
Inventories	12	(22,807)	(452)
Trade receivables	13	(27,545)	12,492
Tax receivables	13	(5,907)	4,106
Other current assets	13	(616)	2,531
Trade payables	21	9,148	9,954
Tax payables	21	170	652
Other current liabilities	21	3,363	7,587
Change in operating working capital (B)		**(44,194)**	**36,871**
Cash flow from operations (C) = (A)+(B)		**62,337**	**158,382**
Net investments in intangible and tangible assets	5-6	(28,629)	(21,339)
(Increase) decrease of equity investments	9	(17,954)	(10,333)
Reduction (increase) of other non-current assets	11	756	(709)
Cash flow generated (used) in investment activities (D)		**(45,827)**	**(32,381)**
Dividends paid	16	(82,645)	(82,645)
Loans to subsidiaries	19	2,418	(838)
Changes in long term borrowings/other non-current liabilities	19-20	(2,011)	(3,112)
Capital increase	16		
Others changes in Equity	16		
Cash flow generated (used) in financing (E)		**(82,239)**	**(86,595)**
Cash flow generated (used) (F)=(C)+(D)+(E)		**(65,729)**	**39,406**
Net cash and cash equivalents at the beginning of the period		102,169	62,763
Net cash and cash equivalents at the end of the period		36,440	102,169
Change in net cash and cash equivalents		**(65,729)**	**39,406**

Statement of Changes in Equity

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**

Year 2013 euro 000's	Share capital	Capital reserves	Hedging reserve	Retained earnings	Total
Balances as of 01.01.13	**61,219**	**213,975**	**1,825**	**365,716**	**642,735**
Profit & Loss account				101,502	101,502
Directly in equity			(536)	514	(22)
Total Comprehensive Income			**(536)**	**102,016**	**101,480**
Dividends				(82,645)	(82,645)
Capital increase					
Share based payments					
Other				(1,458)	(1,458)
Balances as of 12.31.13	**61,219**	**213,975**	**1,289**	**383,629**	**660,112**

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, 2014 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 12th, 2015 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, 2013, except for the information reported below in relation to any amendments, interpretations and new accounting standards applicable from January 1st, 2014.

Accounting standards, amendments and interpretations endorsed by the European Union, which will be applicable from January 1st, 2014 and which were first adopted in TOD'S S.p.A. separate financial statements at December 31st, 2014

•IFRS 10 – Consolidated Financial Statements. This standard introduces a new principle of control and establishes control as the basis for determining which entities must be consolidated. This standard sets out three elements of control: the power over an investee, the exposure to variable returns from its involvement with the investee and the connection between power and returns, i.e. the ability to exercise power over the investee to affect variable returns. IFRS 10 replaces SIC-12 "Consolidation - Special Purpose Entities", as well as any relevant provisions under IAS 27 "Consolidated and Separate Financial Statements". The IASB required an entity to apply this standard retrospectively for periods beginning on January 1st, 2013. The competent bodies of the

European Union have completed the process for endorsement of this standard and have postponed the related date of first-time adoption to January 1st, 2014, with early application permitted. The new standard has had no impact on the Company.

•IAS 27 Revised – Separate Financial Statements. This standard was amended in 2011, as a result of the issue of IFRS 10. The scope of application of IAS 27 is limited to separate financial statements only. This standard prescribes the accounting for investments in subsidiaries, joint ventures and associates in separate financial statements. The IASB required an entity to apply this standard retrospectively for periods beginning on January 1st, 2013. The competent bodies of the European Union have completed the process for endorsement of this standard and have postponed the related date of first-time adoption to January 1st, 2014, with early application permitted. The new standard has had no impact on the Company.

•IFRS 11 – Joint Arrangements. This standard replaces IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers. Specifically, this standard classifies joint arrangements into two types: joint operations and joint ventures. According to IFRS 11, joint ventures must be accounted for using the equity method. Therefore, the method of proportionate consolidation provided for in IAS 31 for this type of joint arrangement is no longer permitted as an alternative valuation method. The IASB required an entity to apply this standard retrospectively for periods beginning on January 1st, 2013. The competent bodies of the European Union have completed the process for endorsement of this standard and have postponed the related date of first-time adoption to January 1st, 2014, with early application permitted. The new standard has had no impact on the Company.

•IAS 28 Revised – Investments in Associates and Joint Ventures. This standard was amended in 2011, as a result of the issue of IFRS 10 and IFRS 11. This standard prescribes the accounting for investments in associates and joint ventures and sets out the requirements for the application of the equity method. The IASB required an entity to apply this standard retrospectively for periods beginning on January 1st, 2013. The competent bodies of the European Union have completed the process for endorsement of this standard and have postponed the related date of first-time adoption to January 1st, 2014, with early application permitted. The new standard has had no impact on the Company.

•IFRS 12 – Disclosure of Interests in Other Entities. This standard sets out any and all disclosure requirements laid down in consolidated financial statements, in relation to subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosure is more extensive than that currently required by IAS 27, IAS 28 and IAS 31 in force. The IASB required an entity to apply this standard retrospectively for periods beginning on January 1st, 2013. The competent bodies of the European Union have completed the process for endorsement of this standard and have postponed the related date of first-time adoption to January 1st, 2014, with early application permitted. The effects of the adoption of the new standard are limited to the disclosure relating to interests in other entities to be provided in the explanatory notes to the annual separate financial statements.

•Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities". This standard was issued in October 2012. The amendment provides an exception to the consolidation of subsidiaries for any entities that qualify as "investment entities", except when subsidiaries provide services that relate to the investment activities carried out by said entities. Unconsolidated subsidiaries must be valued according to IAS 39. Instead, a parent entity of an "investment entity", which is not an "investment entity" itself, must consolidate all entities that it controls (including those controlled through an investment entity). These amendments are required to be applied retrospectively from January 1st, 2014 and have had no impact on the Company.

•Amendments to IAS 32 – Financial Instruments. These amendments set out the requirements for offsetting the financial instruments referred to in IAS 32. They are applicable retrospectively from January 1st, 2014 and have had no significant impact on the Company.

•Amendments to IAS 36 – Impairment of Assets. The amendments were issued in May 2013 in relation to the recoverable amount disclosures for non-financial assets. Specifically, they clarify the disclosures required in the case of impairment or reversals of non-financial assets at fair value, less costs of disposal. They are applicable retrospectively from January 1st, 2014. The effects of the adoption of the new standard are limited to the disclosure relating to interests in other entities to be provided in the explanatory notes to the annual separate financial statements.

•Amendments to IAS 39 – Financial Instruments: Recognition and Measurement. These amendments were issued in June 2013 in relation to the novation of derivatives recognised according to hedge accounting. Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated with a central counterparty (CCP), as a consequence of laws or regulations. The amendments are applicable from January 1st, 2014 and have had no significant impact on the Company.

Accounting standards, amendments and interpretations endorsed by the European Union, which will be applicable from January 1st, 2015 and which have not been adopted early by TOD'S S.p.A..

•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 will be applicable for periods beginning on or after June 17th, 2014 (for the Group, from January 1st, 2015).

• "Annual Improvements to IFRSs: 2010-2012 Cycle" - This document, which was published on December 2013, was 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 July 1st, 2014 (for the Company, from January 1st, 2015).

• "Annual Improvements to IFRSs: 2011-2013 Cycle" – This document, which was published in December 2013, was 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 Company, from January 1st, 2015).

•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).

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.

•Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (issued on May 6th, 2014).

•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.

•Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (issued on May 12th, 2014).

•Amendments to IAS 16 and IAS 41: Bearer Plants (issued on June 30th, 2014).

•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.

•Amendments to IAS 27: Equity Method in Separate Financial Statements (issued on 12 August 2014).

•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).

•Annual Improvements to IFRSs: 2012-2014 Cycle (issued on September 25th, 2014).

•Amendments to IAS 1: Disclosure Initiative (issued on December 18th, 2014).

•Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (issued on December 18th, 2014).

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.

iv. 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. 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	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 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 available for sale and related liabilities are presented separately from other assets and liabilities in the statement of financial position.

3.13 Employee benefits. Employee benefits include (i) short-term employee benefits such as wages, salaries and related social security contributions, accrued but not yet paid, paid annual leave and paid sick leave, etc.; (ii) post-employment benefits, such as pensions or retirement benefits; (iii) other long-term benefits; and (iv) termination benefits.

Short-term benefits are recognised periodically on an accruals basis and are made up of liabilities to employees that have not been settled by the reporting date.

Post-employment benefits are divided into two categories:

i. **Defined contribution plans.** The payments for eventual defined contribution plans are charged to the profit and loss account in the period that they are owed.

ii. **Defined benefit plans.** The costs of defined benefit plans are calculated using the Projected Unit Credit Method, carrying out the actuarial measurements at the end of each financial year. Past service costs are recognised immediately to the extent that these benefits have already accrued; otherwise they are amortised on a straight-line basis within the average period within which the benefits are expected to accrue. The financial costs that have accrued on the basis of the annual discounting rate are recognised in the income statement immediately. Actuarial gains and losses are recognised through other changes in comprehensive income under the specific equity item. Liabilities for post-employment benefits recognised in the financial statements represent the present value of liabilities for defined benefit plans. On the other hand, there are no other long-term employee benefits or termination benefits in the financial statements.

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

The fair value is determined by using the binomial method. 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. 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 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 that derive from temporary deductible differences are recognized on the financial statements only to the extent that it is likely taxable income will be realized for which the temporary deductible difference can be used. No allocation is envisaged if the deferred tax asset derives from business combinations, or from the initial posting 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).

The tax benefits resulting from tax losses are recognized on the financial statements of the period in which the benefits accrued, if it is likely that taxable income will be realized and for which the tax loss can be used.
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.

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, 2014:

euro 000's		Overdue			
	Current	0>60	60>120	Over	Total
Third Parties	55,671	16,915	3,026	7,395	83,006

The prudent estimate of losses on the entire credit mass existing at December 31st, 2014 was 5.4 million euros. The total amount of overdue receivables at December 31st, 2014 (27.3 million euros) is now about 9.3 million euros.

ii. Liquidity risk

Liquidity risk is the risk that the company will not dispose of the funds necessary to meet its short-term commitments and financial requirements. The principal factors that determine the company'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.

In the specific case, the company faces substantially no liquidity risk in the foreseeable future due to its profitability, current and historic capacity to generate cash, and its limited exposure to the banking system.

At December 31st, 2014 the company's cash and cash equivalents totalled 36.4 million euros; its debt exposure was 3.4 million euros, and was represented by two financial lease agreements to which TOD'S S.p.A. got in on March 2014 in order to acquire a new industrial building located next to the headquarter (see Note 19). The Company's policy for financial assets is to keep all of its available liquidity invested in demand bank deposits without recourse to financial instruments, even on the money market, and dividing the deposits amongst a reasonable number of bank counterparties, prudently selecting them according to the return on deposits and their solidity. Finally, it should be noted that on July 23rd, 2014 TOD'S S.p.A. entered into a loan agreement with two leading banks, which was aimed at setting aside funds for a maximum amount of 400 million euros intended to support the Group's future development (Note 19). At December 31st, 2014 no amount had yet been paid out.

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, 2014 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 2014	FY 2013	FY 2014	FY 2013
CAD	Canada	(48,030.8)	(38,319.9)	53,086.7	42,353.6
CHF	Switzerland	2,245.4	8,224.6	(2,481.8)	(9,090.4)
GBP	UK	3,508.5	171.6	(3,877.8)	(189.6)
HKD	Hong Kong	32,775.4	(153,566.2)	(36,225.4)	169,731.0
JPY	Japan	(108,642.0)	(73,078.5)	120,078.0	80,771.0
KRW	Korea	(20.0)	(14.1)	22.1	15.6
RMB	China	65,694.0	(7,209.3)	(72,610.0)	7,968.2
SGD	Singapore	(39,358.2)	(32,229.7)	43,501.1	35,622.3
USD	USA	63,636.7	159,076.5	(70,335.3)	(175,821.4)
Other	n.a.	2,369.8	10,178.0	(2,619.3)	(11,249.4)
Total		**(25,821.2)**	**(126,767.0)**	**28,538.3**	**140,110.9**

euro 000's	Revaluation/Writedown foreign currency	Impact on pre-tax profit	Impact on Shareholders' equity
FY 2014	5%	28.5	(5,909.9)
	-5%	(25.8)	6,532.0

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 hedging 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. As the amounts concerned are not significant (Note 19), there were no hedges of interest rates on existing financial liabilities as of December 31st, 2014. At December 31st, 2014 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 (0.748%, quarterly settled). Considering that no amounts had yet been paid out as at December 31st, 2014 in relation to the loan underlying the abovementioned hedging transactions, it should be noted that the effects arising from the IRSs in 2014 have been recognized under an equity reserve for cash flow hedge (Note 14).

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 2014 (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	12.31.14	12.31.13
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 01.01.13	**3,532**	**7,462**	**16,927**	**27,921**
Increases	1,184	4,481	726	6,392
Decreases			(17)	(17)
Impairment losses				
Other changes				
Amortisation of the period	(601)	(3,126)	(2,595)	(6,323)
Balance as of 01.01.14	**4,115**	**8,817**	**15,041**	**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 12.31.14	**4,346**	**8,347**	**14,470**	**27,163**

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 11,209 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 01.01.13	**41,055**	**6,980**	**13,245**	**5,374**	**6,119**	**72,773**
Increases	898	1,420	7,059	1,472	4,856	15,706
Decreases		(10)	(628)	(14)	(90)	(742)
Impairment losses						
Other changes						
Depreciation of the period	(1,255)	(1,137)	(6,014)	(754)	(1,319)	(10,480)
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 12.31.14	**45,878**	**7,486**	**13,188**	**5,422**	**16,204**	**88,178**

Land and buildings increase is mainly related to the acquisition, through two financial lease agreements, of a new industrial building located next to the headquarter of the Company.
Equipments' increase is mainly related to the industrial tools acquisition for the creation of new collections (lasts and moulds).
The increase of the item "Others", for 7.6 million euros, includes the cost related to the working in progress of a new building located in the headquarter of the Company. Depreciations of the period, related to properties plant and equipments are 11.1 million euros while 0.8 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 2015 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 2015 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 33.1%. 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 of 2% 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 8.59% was used (the WACC rate used at December 31st, 2013 was 9.25%), 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 174.4 million euros at December 31st, 2014) did not show any impairment losses.

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 of brands (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. Investment property

The residual value of investment property at December 31st, 2014 was euro 32 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	(79)
Balance as of 01.01.14	**36**
Increases	
Decreases	
Amortisation of the period	(4)
Balance as of 12.31.14	**32**

9. Investments in subsidiaries, joint ventures and associated companies

On November 25th, 2014 it's been constituted TOD'S Danmark APS owned 100% by TOD'S S.p.A., which is not operating at December 31st, 2014.

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	10,585,624.94	1,326,632.22	3,153,388
TOD'S France Sas Paris - France S.C. - Euro 780,000 % direct held: 100%	Euro	18,881,241.02	2,524,587.26	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	31,961,178.06	(254,862.21)	34,656,432
TOD'S Internat. BV (*) Amsterdam – Netherlands S.C. - Euro 2,600,200 % direct held: 100%	Euro	191,828,293.16	18,787,490.00	36,170,663
Del.Com S.r.l. (*) S.Elpidio a Mare – Italy S.C. - Euro 31,200 % direct held: 100%	Euro	43,764,210.45	(554,098.74)	51,107,501
TOD'S Hong Kong Ltd Hong Kong S.C. - Usd 16,550,000 % direct held: 1%	hkd	1,363,513,905.17	99,279,144.57	129,047
Holpaf BV Amsterdam - Netherlands S.C. - Euro 5,000,000 % direct held: 100%	jpy	4,477,508,886	83,574,782	29,083,378
Un.Del. Kft. Tata - Hungary S.C. – Huf 42,900,000 % direct held: 10%	huf	285,309,427.36	131,461,397.48	18,054
TOD'S Macau Ltd Macao S.C. - Mop 20,000,000 % direct held: 1%	mop	52,778,035.97	20,307,019.14	18,551
TOD'S Brasil Limitada Sao Paulo – Brazil S.C. - Brl 14,000,000 % direct held: 90%	brl	5,864,798.47	(4,468,723.81)	4,722,566
Partecipazioni Internazionali S.r.l. (*) S.Elpidio a Mare – Italy S.C. - Euro 957,486 % direct held: 100%	Euro	14,728,398.59	(120,735.36)	10,357,486
TOD'S Danmark A.P.S. Copenhagen - Danmark S.C. - Dkk 400,000 % direct held: 100%	dkk	318,995.54	(81,004.46)	53,769

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

10. Deferred taxes

At the reporting date, recognition of the effects of deferred tax assets, determined on the basis of temporary differences between the pre-tax result on the financial statements and taxable income, shows a net balance (liability) of 19,499 thousand euros (FY 2013: liability for 20,278 thousand euros).

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. 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	12.31.14		12.31.13	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment		(3,495)		(3,737)
Intangible fixed assets	487	(29,983)	399	(27,180)
Inventory (devaluation)	5,246		5,625	
Derivative financial instruments	3,038			(489)
Costs deductible over several years	5,362		4,880	
Reserves for employees		(215)		(248)
Provisions for risks and charges	337		347	
Other	93	(368)	125	
Total	**14,563**	**(34,062)**	**11,376**	**(31,654)**
Net balance		**(19,499)**		**(20,278)**

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	12.31.14	12.31.13	Change
Raw materials	64,066	54,707	9,360
Semi-finished goods	9,092	7,920	1,172
Finished products	123,246	110,971	12,275
Write-downs	(16,617)	(17,814)	1,197
Total	**179,788**	**155,784**	**24,004**

The allowance for inventory write-downs reasonably reflects the technical and stylistic obsolescence of the Group's inventories at December 31st, 2014. During the year, inventory write-downs has been used for 2.8 million euros; the amount accrued during FY 2014 totalled 1.6 million euros (4.6 million euros in 2013).

13. Trade receivables and other current assets

13.1 Trade receivables.

euro 000's	12.31.14	12.31.13	Change
Third parties	83,006	81,449	1,557
Subsidiaries	119,326	93,338	25,989
Allowances for doubtful accounts	(5,364)	(5,871)	507
Net trade receivables	**196,968**	**168,916**	**28,052**

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	12.31.14	12.31.13
Balance as of 01.01.14	**5,871**	**5,150**
Increase	800	2,100
Decrease	(1,307)	(1,379)
Balance as of 12.31.14	**5,364**	**5,871**

13.2 Tax receivables. Totalling 16,691 thousand euros (FY 2013: 10,784 thousand euros), they are mainly represented by VAT receivables, for 10,082 thousand euros and by the positive net balance resulting from the corporate tax instalments paid during the year in respect of the corporate tax final balance resulting at December 31st, 2014.

13.3 Other.

euro 000's	12.31.14	12.31.13	Change
Prepaid expenses	2,853	2,400	453
Financial assets (Note 14)	2,000	4,418	(2,418)
Others	23,531	23,368	163
Total	**28,384**	**30,186**	**(1,802)**

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.

13.4 Financial assets.

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

euro 000's	12.31.14	12.31.13	Change
Current account overdraft	2,000	2,000	-
Financing within 12 months	-	2,418	(2,418)
Total current assets	**2,000**	**4,418**	**(2,418)**
Financing beyond 12 months	-	-	-
Total financial assets	**2,000**	**4,418**	**(2,418)**

The amount of 2,000 thousand euros refers to two loans granted to both the subsidiary Partecipazioni Internazionali S.r.l. for 1,200 thousand euros and the subsidiary Roger Viver France Sas for 800 thousand 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
U.S. dollar	35,000	28,828		
Hong Kong dollar	736,000	78,157		
Japanese yen			2,500,000	17,214
British pound	16,200	20,799		
Swiss franc	10,100	8,400		
Chinese renmimbi	397,000	52,682		
Canadian dollar	5,050	3,591		
Brazilian real	1,345	418		
Total		**192,873**		**17,214**

At the same date, the net fair value of foreign currency hedges on exchange rate risks was 10,638 thousand euros, positive for 93 thousand euros (FY 2013: 4,135 thousand euros) and negative for 10,731 thousand euros (FY 2013: 436 thousand euros). The net fair value of foreign currency hedges that were earmarked for cash flow hedges was 5,504 thousand euros at December 31st, 2014.

Against the contracts for these last hedges, which were closed between January and December 2014, 4,056 thousand euros in hedge derivatives were transferred to the profit and loss account, recognised as a decrease in revenues.

At December 31st, 2014 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 + 110 basis points) for a contractually fixed rate (0.748%, quarterly settled). Considering that no amounts had yet been paid out as at December 31st, 2014 in relation to the loan underlying the abovementioned hedging transactions, the fair value of these derivatives, which was negative for 5,836 thousand euros at December 31st, 2014, was fully recognized under the equity reserve for cash flow hedge, net of the related tax effect.

15. Cash and cash equivalents

Cash and cash equivalents are related to cash and bank deposits for 36,440 thousand euros (102,169 thousand euros at December 31st, 2013). For further information see the statement of cash flow.

16. Shareholders' equity

16.1 Share Capital. At December 31st, 2014, 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, 2014, Mr. Diego Della Valle, president of the Board of Directors, hold, directly and indirectly, 57.471% of TOD'S S.p.A. share capital.

16.2 Capital reserves. Capital reserves are exclusively related to share premium reserve, amounting to 213,975 thousand of euros as of December 31st, 2014. Such reserve has not changed in respect of last year.

16.3 Hedging reserve. The derivatives resulting from forward currency contracts (see Note 14) used to hedge expected transactions (i.e. cash flow hedges) were recognised in the reserve for derivative financial instruments).

euro 000's	Hedging reserve
Balance as of 01.01.13	**1,825**
Change in fair value of hedging derivatives	1,904
Transfer to Profit and Loss Account of hedging derivates	(2,440)
Other	
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 12.31.14	**(8,011)**

16.4 Retained earnings. The following schedule illustrates the changes in fiscal 2014:

euro 000's	Retained earnings	Profit (loss) of the period	Total
Balance as of 01.01.13	**260,693**	**105,023**	**365,716**
Allocation of 2012 result	22,377	(22,378)	
Dividends		(82,645)	(82,645)
Profit for the period		101,502	101,502
Other changes	(944)		(944)
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)
Saldo al 31.12.14	**298,626**	**78,414**	**377,040**

Other changes for 2013 and 2014 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 2014, the parent company TOD'S S.p.A. paid to the shareholders dividends for the net income realised in 2013. The aggregate amount of paid dividends is 82.6 million euros, at the rate of 2.7 euros for each of the 30,609,401 shares representing the share capital at the coupon detachment date (May 19th, 2014). Regarding the net profit for FY 2014, totalling 78,413,899.95 the Board of Directors has proposed to distribute a dividend for 2 euros per share, totalling 61,218,802 euros. The dividend is subject to approval by the annual Shareholders' Meeting in April 22nd, 2015, and was not included among the liabilities reported on this balance sheet.

17. Provisions and contingent liabilities and assets

17.1 Provisions. They include 4,048 thousand euros (2,730 thousand euros in 2013) as the prudent estimate of liabilities that the Group might incur if it loses a series of pending lawsuits. Accruals for the year are equal to 2,115 thousand euros.

17.2 Contingent liabilities and other commitments

i. Guarantees granted to others. A total of euro 78,785 thousand euros been granted to others at December 31st, 2014 (65,162 thousand euros in 2013). The amount is mainly related to guarantees granted to secure the contractual commitments of subsidiaries, comprised for 64,880 thousand euros to bank credit lines provided to the subsidiaries, for which the company acts as guarantor (FY 2013: 49,426 thousand euros).

ii. Guarantees received from third parties. Guarantees received by the company from banks as security for contractual commitments totalled 7,633 thousand euros (6,163 thousand euros in 2013).

iii. Mortgages. A first mortgage on an owned building (production plant in Sant'Elpidio a Mare) for 30 million euros was granted to the lender for a loan received by the company and it is going to be closed following the settlement of the loan.

iv. 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 2014, the residual face value of the principal for the two bonds amounted to JPY 2,939 million (20.2 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 2015. 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.

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 lease instalments payable after the reporting date pursuant to these agreements is as follows:

euro millions	2014	2013
2014		6.4
2015	6.5	6.3
2016	5.9	5.8
2017	4.8	4.6
2018	3.4	3.3
2019	2.4	
Over 5 years	6.8	9.0
Total	**29.7**	**35.4**

Operating lease instalments, included in the item Costs of use of third party assets, totalled euros 7.5 million in fiscal year 2014 (FY 2013: 7.3 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 favor of company) accrued after that date are covered by the rules applicable to defined contribution plans (IAS 19). These no longer require actuarial calculation and discounting processes, since all of the business's obligation to employees have ceased[2].

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

- Discounting rate: 1.49%
  It is related to the average yield curve from IBOXX Eurozone Corporates AA of December 2014.
- Inflation rate: 0.6% for the year 2015, 1.2% for the year 2016, 1.50% for the year 2017 and 2018, 2% for the year 2019 on;
- TFR incremental rate: 1.950% for the year 2015, 2.4% for the year 2016, 2.625% for the year 2017 and 2018, 3% for the year 2019 on,

[2] 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 January 1st, 2007 all accrued employee severance indemnities are covered by the rules governing defined contribution plans for the liability accrued from such date

The table below shows the variation of the liability occurred in 2014:

euro 000's	Year 2014	Year 2013
Opening balance	**7,504**	**8,271**
Service costs		
Interest costs	244	100
Benefits paid	(343)	(336)
Actuarial (gains)/losses	1,018	(514)
Other	(13)	(17)
Closing balance	**8,409**	**7,504**

19. Financial liabilities

euro 000's	12.31.14	12.31.13	Change
Current account overdraft			
Financing	3,418	1,821	1,597
Total	**3,418**	**1,821**	**1,597**

The entire exposure to the bank system is related to 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.

euro 000's	12.31.14	12.31.13
2014		1,821
2015	219	
2016	228	
2017	238	
2018	248	
2019	259	
OVER 5 YEARS	2,225	
Total	**3,418**	**1,821**

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 + 110 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 fixed rate of 0.748%, quarterly settled. At December 31st, 2014 no amount had yet been paid out in relation to this loan.

20. Other non current liabilities

The balance for this item, 16.2 million euros (19.8 million euros at December 31st, 2013), refers for about 12.9 million euros to the liability recognised in relation to the agreement made for financing of restoration work on the Coliseum (Note 5), for 2.5 million euros to the non current part of the return reserve and for 0.8 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	12.31.14	12.31.13	Change
Third parties	136,781	128,159	8,622
Subsidiaries	10,467	9,941	526
Total	**147,248**	**138,100**	**9,148**

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, 2014 tax payables are 5,333 thousand euros and they mainly relate to withholding taxes for employees and freelance professionals (5,163 thousand euros in 2013).

21.3 Other.

euro 000's	12.31. 14	12.31. 13	Change
Payables to employees	5,823	5,376	446
Social security institutions	4,249	4,058	191
Others	26,643	22,578	4,065
Total	**36,715**	**32,012**	**4,703**

Payables to employees reflected amounts accrued in their favor (including unused holiday leave) that had not yet been paid at the reporting date.

Other liabilities is mainly related to advance from customers for 3.8 million euros and the current portion of estimate of returns at the end of the financial year for 14.4 million euros.

22. Revenues

Sales revenues during the year totalled 672.3 million euros (652.4 million euros in 2013). For further comments on sales revenues see the report on operations.

The item "Other income" amounts 7.4 million euros (12.7 million euros in 2013) and it mainly includes active royalties and insurance reimbursements.

23. Personnel costs

The personnel costs incurred by the Group in FY 2014 as compared with those for FY 2013 are illustrated as follows:

euro 000's				% on revenues	
	Year 2014	Year 2013	Change	2014	2013
Wages and salaries	57,479	55,390	2,089	8.5	8.5
Social security contribution	17,829	16,827	1,002	2.7	2.6
Employee sev. indemn.	3,708	3,531	177	0.6	0.5
Total	**79,016**	**75,748**	**3,268**	**11.8**	**11.6**

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

	12.31.14	12.31.13	Aver. 14	Aver. 13
Executives	39	40	40	39
White-collar Employees	837	779	833	791
Blue-collar Employees	858	867	856	865
Total	**1,734**	**1,686**	**1,729**	**1,695**

24. Financial income and expenses

The breakdown of financial income and expenses in fiscal FY 2014 is as follows:

euro 000's	Year 2014	Year 2013	Change
Income			
Interest income on current account	584	1,305	(720)
Foreign exchange gains	13,386	8,887	4,499
Other	296	314	(18)
Total income	**14,267**	**10,506**	**3,761**
Expenses			
Interest on medium-long term financing	(8)	(18)	10
Foreign exchange losses	(12,838)	(10,557)	(2,280)
Other	(1,341)	(489)	(852)
Total expenses	**(14,187)**	**(11,064)**	**(3,123)**
Total net income and expenses	**80**	**(558)**	**638**

25. Income from subsidiaries

During the year, the Company received dividends for 57 thousand euros from the subsidiaries.

26. Income taxes

The tax liability for fiscal 2014 (current and deferred) was 38.8 million euros, giving a tax rate of 33.1% (FY 2013: 29.1%), Income taxes for the period are broken down into current and deferred taxes, as follows:

euro 000's	Year 14	Year 13	Change
Current taxes	35,983	41,238	(5,255)
Deferred taxes	2,780	422	2,358
Total	**38,763**	**41,660**	**(2,897)**

The theoretical tax rate for FY 2014 was 34.2%, 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, 2014. 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	**40,086**	**34.2%**
Tax effects of non-deductible or partially deductible costs	881	0.8%
Non deductible taxes	450	0.4%
Non taxable income	(1,859)	(1.6%)
Other	(828)	(0.7%)
Previous year taxes	33	n.s.
Effective income taxes	**38,763**	**33.1%**

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 14	Year 13
Profit used to determine basic earning per share	78,414	101,502
Dilution effects		
Profit used to determine diluted earning per share	**78,414**	**101,502**

euro 000's For continuing and discontinued operations	Year 14	Year 13
Net profit of the year	78,414	101,502
Income (loss) from discontinued operations		
Profit used to determine basic earning per share	**78,414**	**101,502**
Dilution effects		
Profit used to determine diluted earning per share	**78,414**	**101,502**

In both fiscal 2014 and 2013, 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 14	Year 13
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 2014 is based on the net income allocable to holders of ordinary shares of TOD'S S.p.A., totalling euro 78,414 thousand (101,502 thousand euros in 2013), and on the average number of ordinary shares outstanding during the same period, totalling 30,609,401 (unchanged respect to 2013).

iv. Diluted earnings per share. Calculation of the diluted earnings per share for the period January-December 2014 coincides with calculation of base earnings per share, due to the fact that there are no items which produce dilution effects.

28. Transactions with related parties

The Company's related parties transactions were executed in compliance with the procedural sequence and implementing procedures set out in the Related Parties Transactions Procedure approved by the TOD'S S.p.A. Board of Directors in implementation of the Related Parties Regulation adopted by CONSOB with Resolution no. 17221 of March 12th 2010, as subsequently amended.

In accordance with market best practices, significant related party transactions are subject to an in-depth review involving, inter alia:

(i) complete, prompt transmission of material information to the delegated Board of Directors committees (the Control and Risk Committee and the Independent Directors Committee, each within the ambit of their delegated responsibilities, where the majority or all members of these committees are independent directors), who in the performance of their functions also avail themselves of the assistance of independent experts;

(ii) the issuance of an opinion (either binding or non-binding, as applicable) before approval of the transaction by the Board of Directors (or, if appropriate, by the body delegated to resolve on the transaction). Without prejudice to the principles of procedural fairness cited hereinabove, no unusual related party transactions, or other related party transactions that might compromise corporate assets or the completeness and fairness of company accounting and other information were executed during the financial year. All transactions – which are connected with the normal operations of TOD'S S.p.A. – were executed solely on behalf of the company by applying contractual conditions consistent with those that can theoretically be obtained on an arm's length basis.

Most significant transactions concluded during the period

During the year 2014 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, 2014

In continuation of contractual relationships already existing in 2013, the Company continued to maintain a series of contractual relationship with related parties (directors/controlling or significant shareholders) in 2014. 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 2014						
Parent Company (*)	10,281					2
Directors						
Executives with strat. resp.						
Other related parties						
Total	**10,281**	**-**	**-**	**-**	**-**	**2**
Year 2013						
Parent Company (*)	8,642	7				4
Directors						
Executives with strat. resp.						
Other related parties						
Total	**8,642**	**7**	**-**	**-**	**-**	**4**

(*) *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	Purchases of products	Rendering of services	Purchases of assets	Royalties	Operating leases	Other operations
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**	**-**
Year 2013						
Parent Company (*)	453	138		8,533	3,361	
Directors						
Executives with strat. resp.						
Other related parties						
Total	**453**	**138**	**-**	**8,533**	**3,361**	**-**

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

iii. Commercial transactions with related parties – Receivables and payables

Receivables and payables	12.31.14		12.31.13	
euro 000's	Receivables	Payables	Receivables	Payables
Parent Company (*)	2,448	4,903	1,965	4,085
Directors				
Exec. with strat. respons.				
Total	**2,448**	**4,903**	**1,965**	**4,085**

(*) *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 2014 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 (*)	1,831.5	8.7					
Andrea Della Valle (**)	1,231.8	9.0					
Luigi Abete	31.5	15.6					
Maurizio Boscarato	31.8	9.0				220.0	(2)
Luigi Cambri	31.8	24.6				9.0	(4)
Luca C. di Montezemolo	30.3						
Emanuele Della Valle	31.2						
Fabrizio Della Valle (****)	231.8	9.0					
Emilio Macellari (****)	231.8	9.0				480.0	(2)
Pierfrancesco Saviotti	30.9	23.4					
Stefano Sincini (***)	315.8	9.0	4.0		336.3	111.0	(1)
Vito Varvaro	26.5	7.8					
Total	**4,056.7**	**125.1**	**4.0**		**336.3**	**820.0**	
Statutory Auditors							
Giulia Pusterla (*****)	90.0						
Enrico Colombo	61.2					36.0	(3) (4)
Fabrizio Redaelli	60.0						
Total	**211.2**					**36.0**	
Executives with strategic responsibilities			7.0	16.9	660.0	6.0	(1)

Legend

(*) Chairman of Board of Directors
(**) Vice Chairman of Board of Directors
(***) Chief Executive Officer
(****) Director with Proxies
(*****) Chairman of the Statutory Board
(1) Director of subsidiary
(2) Consultant of TOD'S S.p.A.
(3) Statutory Auditor of subsidiary
(4) Member of the Compliance Program Supervisory Body

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 2014:

euro 000's		12.31.14			12.31.13		
	N° Companies	Receivables	Payables	Net Revenues/ (cost)	Receivables	Payables	Net Revenues/ (cost)
Italy	5	14,737	1,533	47,273	11,845	205	45,443
Albania	1	-	176	(1,703)	0	110	(1,260)
France	2	5,597	1,956	11,157	4,522	3,932	9,028
Germany	1	3,837	592	10,315	1,820	419	5,423
Great Britain	3	6,476	339	16,884	3,631	231	13,666
Luxembourg	1	15	-	490	102	-	595
Netherlands	2	1,174	60	4,275	891	-	3,760
Switzerland	2	3,992	124	11,844	2,554	12	10,383
Spain	1	1,528	34	4,144	1,271	75	2,803
Hungary	1	-	819	(1,507)	0	840	(1,503)
Belgium	1	262	13	815	328	-	1,034
Usa	10	11,885	2,055	27,864	8,884	3,016	21,563
Japan	2	157	10	721	643	37	640
Hong Kong	2	26,726	756	96,480	28,878	314	104,947
Singapore	2	47	3	77	7	2	96
Korea	2	5,191	579	13,857	4,125	57	8,061
Macao	2	9	-	28	6	-	21
China	2	37,502	2,281	36,414	22,970	523	36,268
Brazil	1	12	57	1,113	1,083	239	1,173
India	1	182	2	44	144	2	61
Total	**44**	**119,327**	**11,390**	**280,586**	**93,703**	**10,015**	**262,202**

The receivables and payables recognised by the Italian companies include the receivables and payables resulting from the tax consolidation programme, totalling 1 thousand euros and 923 thousand euros, respectively.

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

euro 000's	Financing	
	12.31.14	12.31.13
HOLPAF B.V.		2,000
TOD'S JAPAN K.K.		2,418
PARTECIPAZIONI INTERNAZIONALI S.r.l.	1,200	
ROGER VIVIER FRANCE SAS	800	
Total	**2,000**	**4,418**

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 2014.

30. Independent Auditors compensation

Pursuant to Article 149-*duodecies* of the Issuers Regulation, the compensation received in FY 2014 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
Auditing services	PricewaterhouseCoopers S.p.a.	TOD'S S.p.A.	146
Auditing services	PricewaterhouseCoopers S.p.a.	Subsidiaries	24
Total PricewaterhouseCoopers S.p.A.			**170**
Auditing services	PricewaterhouseCoopers (Network)	Subsidiaries	172
Other services	PricewaterhouseCoopers (Network)	TOD'S S.p.A.	465
Other services	PricewaterhouseCoopers (Network)	Subsidiaries	339
Total PricewaterhouseCoopers (Network)			**977**

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

No significant events occurred after the end of the period.

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, 2014 to December 31st, 2014.

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 12th, 2015

Stefano Sincini
Chief Executive Officer

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