

TOD

TOD'S Group

D'S

INTERIM REPORT ON OPERATIONS  
AT SEPTEMBER 30th, 2011

Group

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## Company's data

### Registered office

TOD'S S.p.A.  
Via Filippo Della Valle, 1  
63811 Sant'Elpidio a Mare (Fermo) - Italy  
Tel. +39 0734 8661

### Legal data Parent company

Share capital resolved euro 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 Show rooms

Dusseldorf – Kaistrasse, 2  
Hong Kong - Three Pacific Place, 1 Queen's Road East  
London - Old Bond Street, 16  
Milan - Corso Venezia, 30  
Milan - Via Savona, 56  
Milan - Via Serbelloni 1-4  
Milan - Via della Spiga, 22  
New York - 450, West 15<sup>th</sup> Street  
Paris - Rue Royale, 20  
Seoul - 89-10, Cheongdam-dong, Kangnam-ku  
Shanghai - 1366 Nanjing West Road, Plaza 66 Tower 2  
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

<b>Board of directors</b> <sup>(1)</sup>	Diego Della Valle Andrea Della Valle Luigi Abete Maurizio Boscarato Luigi Cambri Luca Cordero di Montezemolo Emanuele Della Valle Fabrizio Della Valle Emilio Macellari Pierfrancesco Saviotti Stefano Sincini Vito Varvaro	Chairman Vice- Chairman
<b>Executive Committee</b>	Diego Della Valle Andrea Della Valle Fabrizio Della Valle Emilio Macellari Stefano Sincini Vito Varvaro	Chairman
<b>Compensation Committee</b>	Luigi Abete Luigi Cambri Pierfrancesco Saviotti	Chairman
<b>Internal Control and Corporate Governance Committee</b>	Maurizio Boscarato Luigi Cambri Pierfrancesco Saviotti	Chairman
<b>Independent Directors Committee</b>	Luigi Abete Luigi Cambri Pierfrancesco Saviotti	Chairman
<b>Board of statutory Auditors</b> <sup>(2)</sup>	Enrico Colombo Fabrizio Redaelli Gian Mario Perugini Gilfredo Gaetani Massimo Foschi	Chairman Acting stat. auditor Acting stat. auditor Substitute auditor Substitute auditor
<b>Independent Auditors</b> <sup>(3)</sup>	Deloitte & Touche S.p.A.	
<b>Manager charged with preparing a company's financial report</b>	Rodolfo Ubaldi	

<sup>(1)</sup> Term of the office: 2009-2011 (resolution of the Shareholders' meeting as of April 20<sup>th</sup>, 2009)

<sup>(2)</sup> Term of the office: 2010-2012 (resolution of the Shareholders' meeting as of April 22<sup>nd</sup>, 2010)

<sup>(3)</sup> Term of the office: 2006-2011 (resolution of the Shareholders' meeting as of April 28<sup>th</sup>, 2006)

## 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.**

Subholding for operation of national subsidiaries and DOS in Italy.

### **TOD'S International B.V.**

Subholding for operation of international subsidiaries and DOS in The Netherlands.

### **An.Del. Usa Inc.**

Subholding 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 operates DOS in Spain.

### **TOD'S France Sas**

Company that distributes and promotes products in France and manages DOS in France.

### **TOD'S Luxembourg S.A.**

Company that operates DOS in Luxembourg.

### **TOD'S Hong Kong Ltd**

Company that distributes and promotes products in Far East and South Pacific and manages DOS in Hong Kong.

### **TOD'S Japan KK**

Company that operates DOS in Japan.

### **TOD'S Korea Inc.**

Company that operates DOS 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 Saint Barth Sas**

Not operating company.

### **TOD'S (Shanghai) Trading Co. Ltd**

Company that operates DOS in China.

### **TOD'S Singapore Pte Ltd**

Company that operates DOS in Singapore.

### **TOD'S UK Ltd**

Company that distributes and promotes products in Great Britain and manages DOS in Great Britain.

### **Webcover Ltd**

Company that operates DOS in Great Britain.

### **Cal.Del. Usa Inc.**

Company that operates DOS in California (USA).

### **Colo. Del. Usa Inc.**

Not operating company.

### **Deva Inc.**

Company that distributes and promotes products in North America, and manages of 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).

### **Sandel SA**

Not operating company.

### **Un.Del. Kft**

Production company.

### **Alban.Del Sh.p.k.**

Production company.

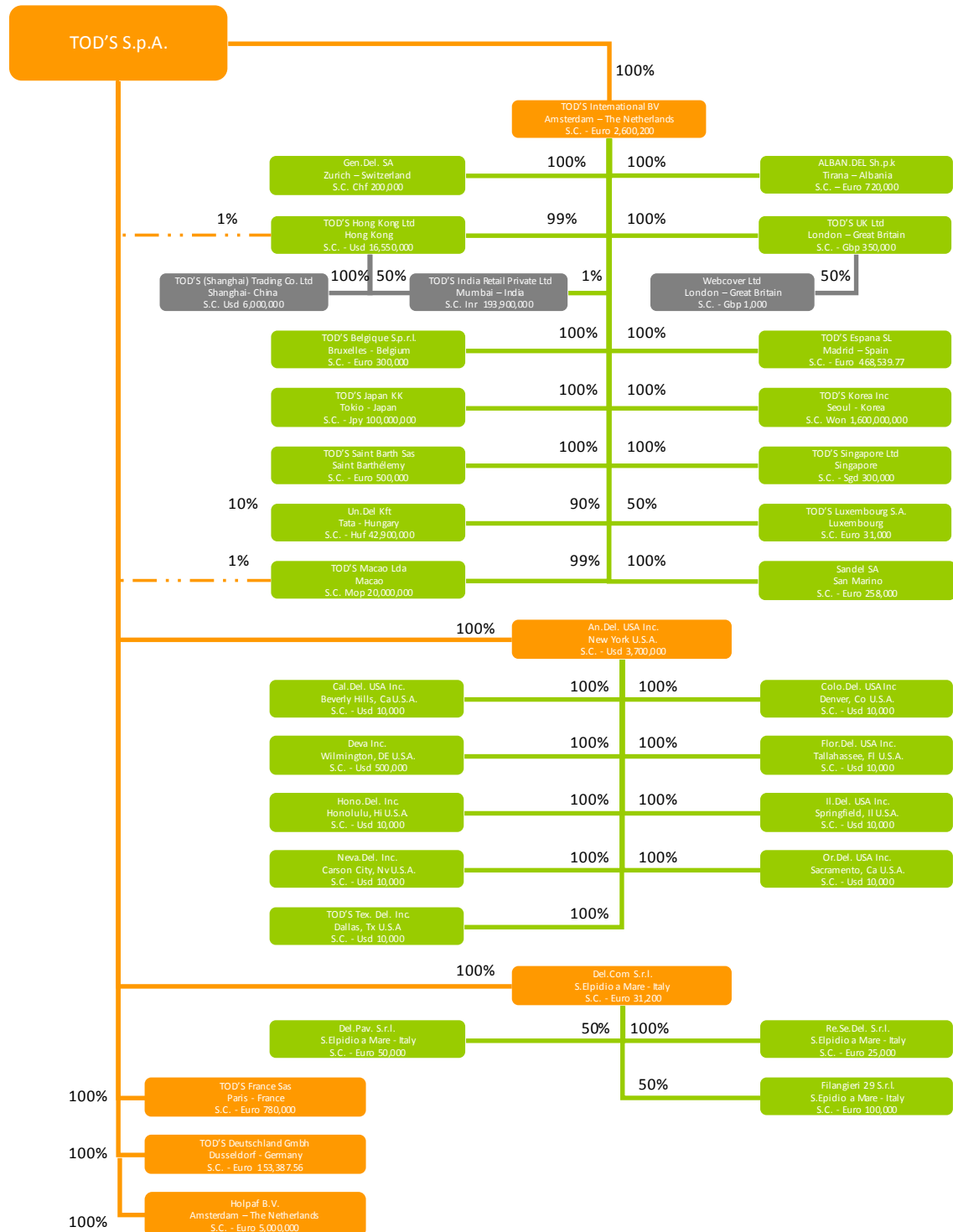
### **Holpaf B.V.**

Real estate company.

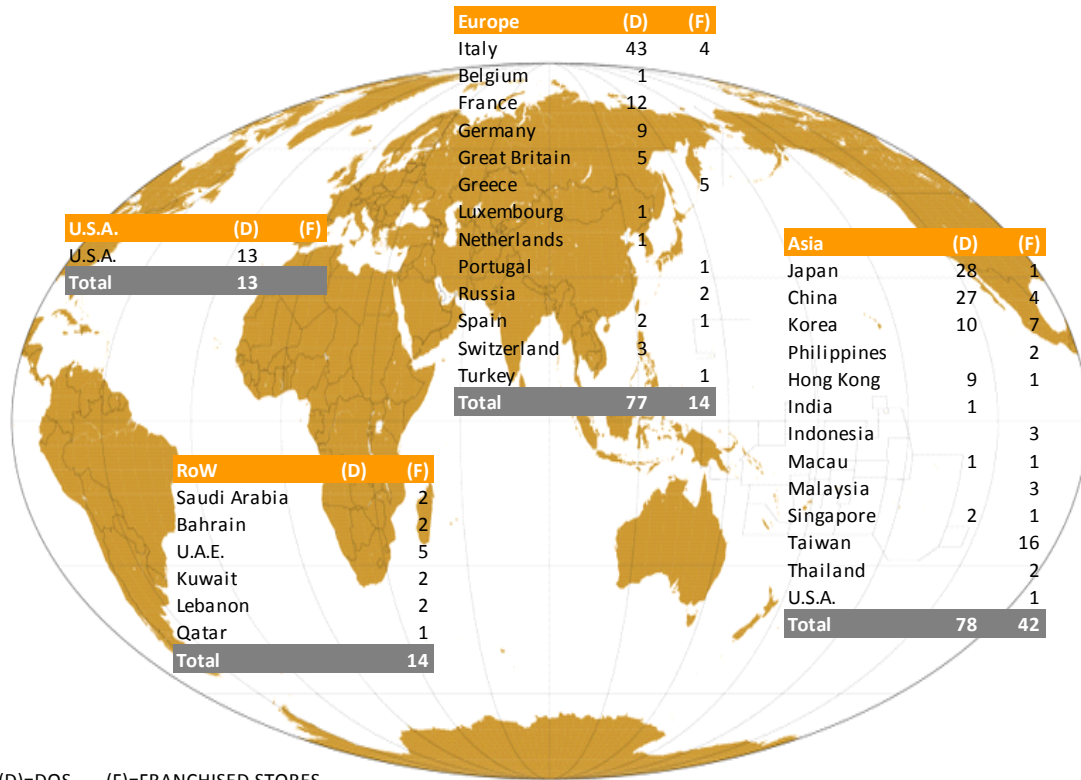
### **Re.Se.Del. S.r.l.**

Company for services.

Group's organizational chart



Distribution network as of September 30<sup>th</sup>, 2011



DOS, 2011 new openings

Far East	
Nanning	(China)
Zhengzhou	(China)
Hong Kong	(China)
Tianjin	(China)
Wuhan	(China)
Wuhan	(China)
Shenyang	(China)
Daegu	(Korea)
Seoul	(Korea)
Osaka	(Japan)

Europe	
Madrid	(Spain)
Milan	(Italy)
Milan	(Italy)
Milan	(Italy)
Bologna	(Italy)
Paris	(France)

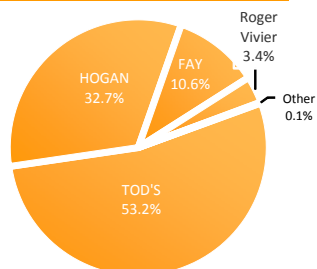
Franchised stores, 2011 new openings

Far East	
Taipei	(Taiwan)
Taipei	(Taiwan)
Taipei	(Taiwan)
Kuala Lumpur	(Malaysia)

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

## Key consolidated financial figures

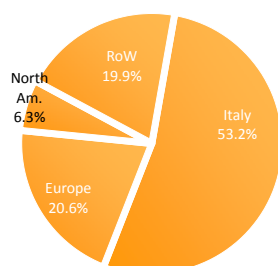
9M 11 Revenues - % by brand



Key P&L figures (euro mn)

	9M 11	9M 10	9M 09	9M 08
Revenues	699.0	609.1	559.4	549.7
EBITDA	192.4 27.5%	157.4 25.8%	130.7 23.4%	127.9 23.3%
EBIT	164.4 23.5%	133.1 21.8%	107.6 19.2%	107.4 19.5%

9M 11 Revenues - % by region



Key Balance Sheet figures (euro mn)

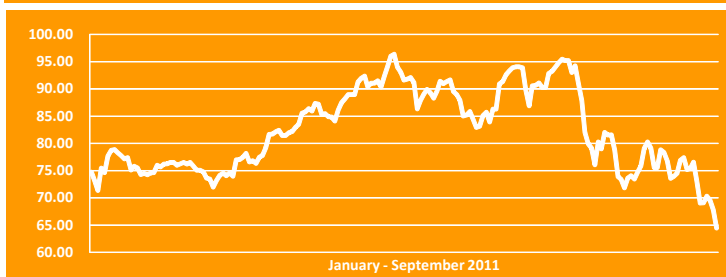
	09.30.11	12.31.10	09.30.10
Net working capital <sup>(*)</sup>	295.5	192.7	269.4
Net financial position	64.5	96.5	187.8
Capital expenditures	48.6	96.1	21.7

<sup>(\*)</sup>Trade receivables + inventories – trade payables

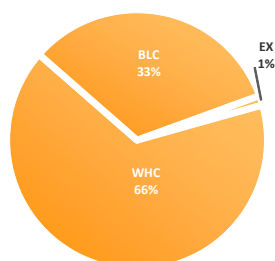
9M 11 Revenues - % by product



Stock performance (Euro)



2011 Group employees



The Group employees

	09.30.11	12.31.10	09.30.10	09.30.09
Year to date	3,558	3,194	3,138	2,834

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



## Highlights of results

**Revenues:** sales totalled 699 million euros, up 14.8% from the first nine months of 2010 (first nine months of 2010: 609.1 million euros).

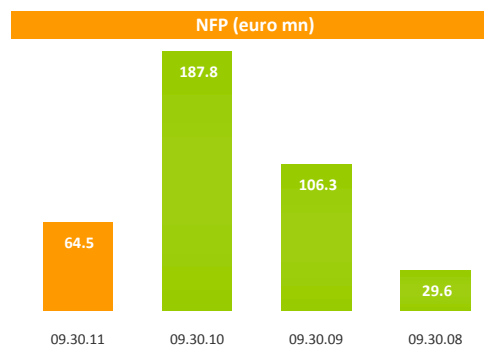
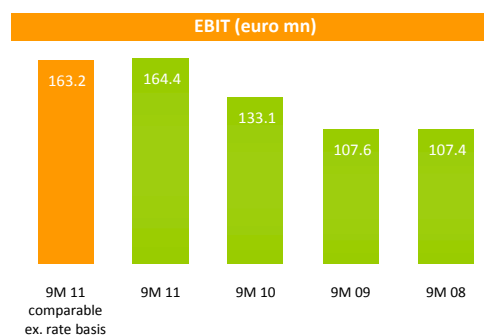
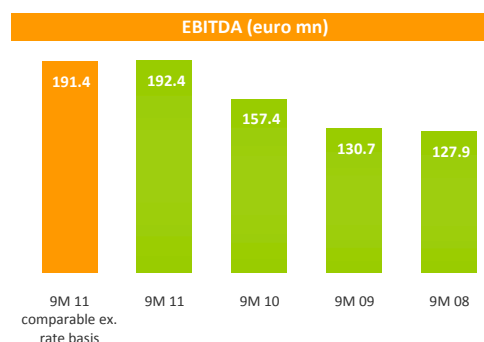
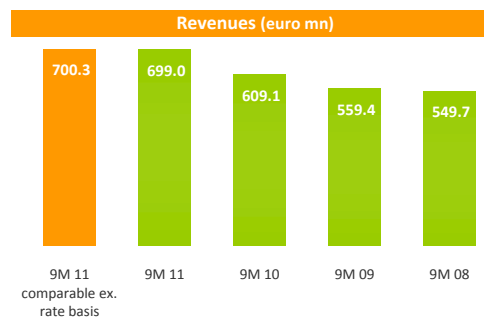
**EBITDA:** this grew by 22.2%, to 192.4 million euros. At September 30<sup>th</sup> 2011, it was equivalent to 27.5% of sales (first nine months of 2010: 25.8%).

**EBIT:** net operating profit totalled 164.4 million euros. This grew by 23.5% from the first nine months of 2010 (133.1 million euros). When measured on a comparable exchange rate basis, EBIT totalled 163.2 million euros (+22.6%).

**Net financial position (NFP):** the Group had 138.6 million euros in liquid assets at September 30<sup>th</sup> 2011. Its net financial position was 65.5 million euros at the same date.

**Capital expenditure:** 48.6 million euros in capital expenditures were made in the first nine months of 2011, in September 30<sup>th</sup> 2010 amounted to 21.7 million euros.

**Distribution network:** at September 30<sup>th</sup> 2011, the single brand distribution network comprised 168 DOS and 70 franchised stores.



TOD

TOD'S Group

D'S

REPORT ON OPERATIONS

Group

### Group's activity

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.

### Group's brands



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



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

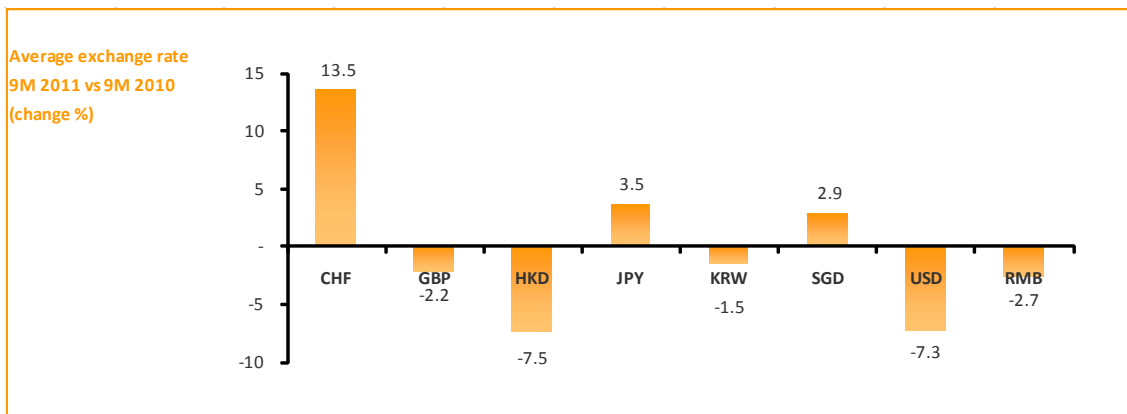


FAY is a brand created in the mid 80s with a product range of high quality casual wear. The brand is known for its quality craftsmanship, for the excellence of its materials, a meticulous attention to craft details and its high functionality without sacrificing style and quality. FAY products are wearable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

focuses on classic evergreen styles, continuously modified and refreshed with innovative and recognisably eye-catching design.

### Foreign currency markets

Comparative analysis of the average exchange rates for the euro against other major currencies between January - September 2011 and the same period of 2010, reveals a general increase in the value of the euro, with respect to the U.S. dollar and currencies that are linked to it; and a decrease with respect to Swiss Franc, Japanese Yen and Singapore Dollar.



### Main events and operations during the period

The results realised during Q3 2011 confirm broadly the same growth rates of revenue and operating margins as the ones already performed in the first half of 2011. Revenues posted a sound double-digit growth, mainly driven by TOD's and ROGER VIVIER brands which showed important achievements in all markets, particularly in international ones, where outstanding results have been performed by Greater China (China, Hong Kong, Macao and Taiwan) and remarkable performance have been achieved by US market in which revenues increased by 20.7% in comparable currencies, in respect of the first nine months of 2010.

The distribution network in continental China is continuing its growth with six new openings occurred during the first nine months of 2011, among which the HOGAN flagship with which the Group began the brand distribution activity, carried on even in October with two new openings.

As well known, 2011 was characterised by two major initiatives taken by the Group to protect and promote Italian heritage. The first of these involves its full financial support, as sole sponsor, for restoration of the Coliseum, based on the agreement reached January 21<sup>st</sup> 2011 with the Ministry of Cultural Affairs (Ministero per i Beni e le Attività Culturali) and the Supervisor for central Rome's archaeological area (Soprintendenza speciale per i beni archeologici). The financial commitment assumed by the Group for this monument, a symbol of Italian history and

culture, totals 25 million euros. It will be disbursed in instalments over the entire duration of restoration work. The 'Soprintendenza speciale per i beni archeologici di Roma' will be responsible for planning and executing the work. Following a favourable resolution by the Shareholders' Meeting of Fondazione Teatro alla Scala held on May 16<sup>th</sup> 2011, Tod's S.p.A. acquired the status of Permanent Founding Member of Fondazione Teatro alla Scala in June. By donating 5.2 million euros to that foundation, which will be payable in four years, Tod's S.p.A. has confirmed its wish to assist La Scala opera house, with its glorious reputation and excellent organization, preserve its world status as a shining example of "made in Italy".

### Group's results in the first nine months of 2011

Sales Revenues for the first nine months of 2011 amount to 699 million euros; the growth is equal to 90 million euros increased by 14.8% in respect to 609.1 million euros resulting on the corresponding period of 2010. The effect of changes in average exchange rates was negligible: in comparable currencies, revenues would be equal to 700.3 million euros and the growth would increase to 15.0%.

Operating performance indicators showed a most significant growth thanks to the product leverage effect on operating income, both on account of the significant growth in revenue and its composition, which was concentrated in DOS distribution network, markets (USA and Asia), brands (TOD's and ROGER VIVIER) and merchandise categories (leather goods and accessories) having higher margins, while the organic component was preponderant.

Compared with Q3 2010, EBITDA and EBIT grew by 22.2% and 23.5%, respectively, to 192.4 million euros and 164.4 million euros; which are already in line with the whole year 2010. In Q3 2011, EBITDA and EBIT represented respectively 27.5% and 23.5% of consolidated revenues (respectively 25.8% and 21.8% the values showed for Q3 2010).

(Euro 000's)					
FY 2010	Main P&L indicators	9M 11	9M 10	Change	%
787,539	Sales revenues	699,043	609,053	89,990	14.8
193,059	EBITDA	192,353	157,386	34,967	22.2
(33,115)	Depr., amort., write-downs	(27,985)	(24,320)	(3,665)	15.1
159,944	EBIT	164,368	133,066	31,302	23.5
	Foreign exchange impact on revenues	1,256			
	Adjusted sales revenues	700,299	609,053	91,246	15.0
	For. exch. impact on operating costs	(2,220)			
	Adjusted EBITDA	191,389	157,386	34,003	21.6
	For. exch. impact on deprec. & amort.	(240)			
	Adjusted EBIT	163,164	133,066	30,098	22.6
	EBITDA %	27.5	25.8		
	EBIT %	23.5	21.8		
	Adjusted EBITDA %	27.3	25.8		
	Adjusted EBIT %	23.3	21.8		

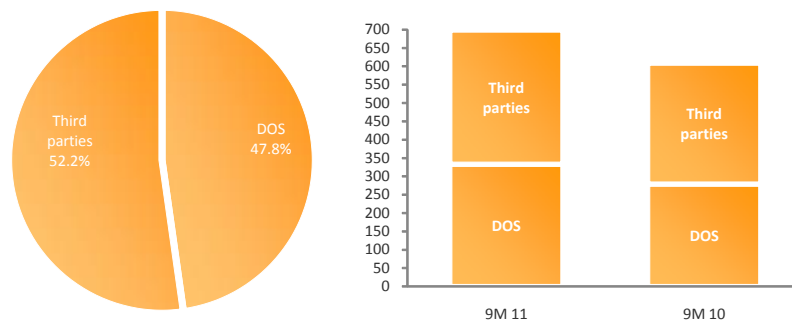
(Euro 000's)				
09.30.10	Main Balance Sheet indicators	09.30.11	12.31.10	Change
269,387	Net working capital (*)	295,520	192,688	102,832
187,812	Net financial position	64,505	96,495	(31,990)
21,670	Capital expenditures	48,569	96,067	n.s.

(\*) Trade receivables + inventories – trade payables

**Revenues.** Consolidated sales were 699 million euros in the first nine months of 2011, up 14.8% from the same period of 2010. In Q3 2011, revenues posted a sound double-digit growth (+12,1%), despite the challenging comparison basis. At constant exchange rates, meaning by using 9M 2010 average exchange rates, sales revenues would have been 700.3 million euros, up 15%. All the brands achieved significant growth rates, in both the distribution channels, across all the product categories and all the regions.

As has been repeatedly remarked in the past, the third quarter of the year is dominated by sales in the wholesale channel, insofar as the bulk of

(Euro mn)	9M 11	%	9M 10	%	Change	%
DOS	333.9	47.8	279.6	45.9	54.3	19.4
Third parties	365.1	52.2	329.5	54.1	35.6	10.8
<b>Total</b>	<b>699.0</b>	<b>100.0</b>	<b>609.1</b>	<b>100.0</b>	<b>89.9</b>	<b>14.8</b>



DOS revenues generated by the winter collection is concentrated in the fourth quarter, when the products are sold by stores to end customers.

In the first nine months of 2011, revenues to third parties totalled 365.1 million euros, with growth of 10.8% from 9M 2010. The DOS network posted very good results. Revenues globally amounted to 333.9 million euros in 9M 2011, with growth of 19.4% from 9M 2010, driven both by the widening of the DOS network and by the strong organic growth. As of September 30<sup>th</sup> 2011 the Group's distribution network was composed by 168 DOS and 70 franchised stores, compared to 158 DOS and 72 franchised stores as of the end of September 2010. Among the openings made in the third quarter, we remember the first Hogan DOS in mainland China, followed by additional two in October.

Strong organic growth: the Same Store Sales Growth (SSSG) rate, calculated as the worldwide average of sales growth rates reported by DOS opened as of January 1<sup>st</sup> 2010, was 12.6% for the first 45 weeks of 2011 (from January 1<sup>st</sup> to November 6<sup>th</sup> 2011).

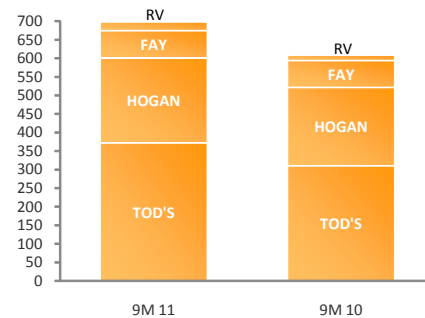
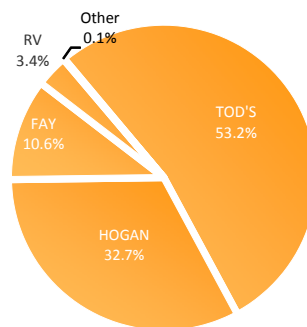
The TOD'S brand posted excellent results and confirmed its solid double-digit sales growth, in all the product categories and the regions.

In the first nine months of 2011, its sales totalled 372.1 million euros, up 19.9% from 9M 2010. The HOGAN revenues were 228.4 million euros in the first nine months of 2011, with a 8.2% increase versus 9M 2010, which is mainly due to the organic growth in Italy.

Consistently with the strategy to pursue an international expansion, which is currently focused on the Asian markets, HOGAN has recently opened its first three directly operated stores in mainland China (Beijing, Wuhan, Harbin).

In the first nine months of 2011, FAY revenues totalled 74.3 million euros, up 2.1% from 9M 2010. This is a significant achievement, considering the high exposure to the domestic market of the brand.

(Euro mn)	9M 11	%	9M 10	%	Change	%
TOD'S	372.1	53.2	310.4	51.0	61.7	19.9
HOGAN	228.4	32.7	211.1	34.7	17.3	8.2
FAY	74.3	10.6	72.8	11.9	1.5	2.1
RV	23.5	3.4	14.2	2.3	9.3	65.6
Other	0.7	0.1	0.6	0.1	0.1	n.s.
<b>Total</b>	<b>699.0</b>	<b>100.0</b>	<b>609.1</b>	<b>100.0</b>	<b>89.9</b>	<b>14.8</b>



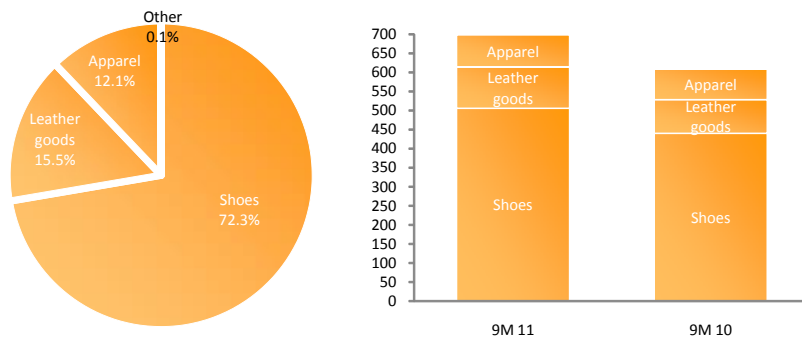
Finally, the ROGER VIVIER brand confirmed its solid growth, even if on low volumes, as a signal of the strong appeal of its products among the clientele. In 9M 2011 the brand revenues totalled 23.5 million euros, up 65.6% from 9M 2010.

The core business of shoes confirmed its double-digit growth, despite the challenging comparison basis. In the first nine months of 2011, revenues from shoes totalled 505.5 million euros of revenues, up 14.9% from 9M 2010. Strong results both for TOD'S and HOGAN.

Also the performance of leather goods and accessories was brilliant, mainly driven by the success of the entire collection of handbags and accessories under the TOD'S brand.

The Group's revenues of this product category totalled 108.6 million euros in 9M 2011, up 22.6% from 9M 2010. Finally, sales from apparel totalled 84.5 million euros in 9M 2011, up 5.7% from 9M

(Euro mn)	9M 11	%	9M 10	%	Change	%
Shoes	505.5	72.3	440.1	72.3	65.4	14.9
Leather goods	108.6	15.5	88.6	14.5	20.0	22.6
Apparel	84.5	12.1	79.9	13.1	4.6	5.7
Other	0.4	0.1	0.5	0.1	(0.1)	n.s.
<b>Total</b>	<b>699.0</b>	<b>100.0</b>	<b>609.1</b>	<b>100.0</b>	<b>89.9</b>	<b>14.8</b>

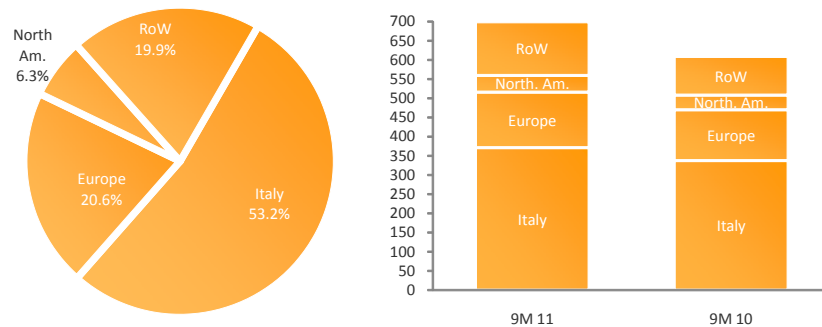


2010, driven also by the strong results of TOD'S and HOGAN capsule collections.

The Group continued to post outstanding results on the domestic market, across all its brands. In the first nine months of 2011, sales in Italy amounted to 371.6 million euros, up 10% from 9M 2010.

In the rest of Europe, sales totalled 144.3 million euros in 9M 2011, with growth of 8.9% from 9M 2010. In the US market, the DOS channel confirmed the excellent results posted in the first half of the year, while

(Euro mn)	9M 11	%	9M 10	%	Change	%
Italy	371.6	53.2	337.8	55.5	33.8	10.0
Europe	144.3	20.6	132.5	21.7	11.8	8.9
North America	43.8	6.3	37.8	6.2	6.0	15.9
RoW	139.3	19.9	101.0	16.6	38.3	37.9
<b>Total</b>	<b>699.0</b>	<b>100.0</b>	<b>609.1</b>	<b>100.0</b>	<b>89.9</b>	<b>14.8</b>



the performance of the wholesale channel was affected by the selective distribution strategies adopted by the Group, in order to reduce the number of the independent clients.

In 9M 2011, the Group's sales in the US totalled 43.8 million euros, up 15.9% from 9M 2010 (+20.7% at constant exchange rates). Finally, revenues for the area "Rest of World" totalled 139.3 million euros in 9M 2011, with growth of 37.9% from 9M 2010. The Group confirmed the excellent results in mainland China and Hong Kong, where the organic growth rate remains aligned with the outstanding performance of the first half of the year.



**Operating results.** EBITDA and EBIT grew strongly, confirming positive trend realized in the first half of the year.

(Euro 000's)	9M 2011	9M 2010	FY 2010
<b>Revenues</b>			
Sales revenues	699,043	609,053	787,539
Other revenues and incomes	12,301	14,136	18,819
<b>Total revenues and incomes</b>	<b>711,344</b>	<b>623,189</b>	<b>806,358</b>
<b>Operating costs</b>			
Change in inventories (work in prog. & finished goods)	9,945	(14,477)	952
Cost of raw materials, supplies and material for consumption	(159,179)	(130,245)	(178,829)
Cost of services	(207,480)	(177,303)	(238,514)
Cost of use of third parties assets	(46,209)	(42,849)	(58,714)
Cost of labour	(93,308)	(86,948)	(117,751)
Other operating charges	(22,760)	(13,981)	(20,443)
<b>Total operating costs</b>	<b>(518,991)</b>	<b>(465,803)</b>	<b>(613,299)</b>
<b>EBITDA</b>	<b>192,353</b>	<b>157,386</b>	<b>193,059</b>
<b>Amortizations, depreciations and write-downs</b>			
Amortization of intangible assets	(8,053)	(5,608)	(7,599)
Depreciation of tangible assets	(19,175)	(18,075)	(24,476)
Other adjustments	-	-	-
<b>Total amortizations, depreciations and write-downs</b>	<b>(27,228)</b>	<b>(23,683)</b>	<b>(32,075)</b>
Provisions	(757)	(637)	(1,040)
<b>EBIT</b>	<b>164,368</b>	<b>133,066</b>	<b>159,944</b>

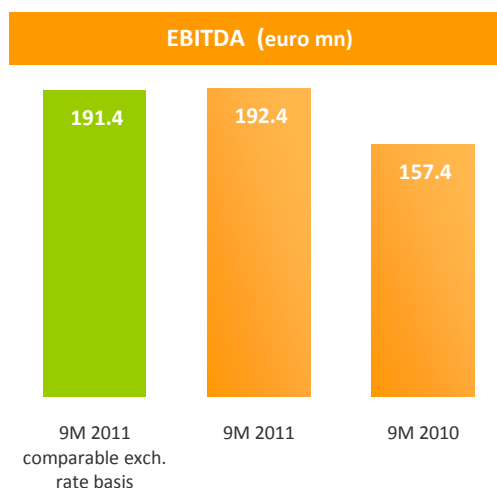
EBITDA in the first months of 2011 was 194.4 million euros, up 35.0 million euros from its level in the same period of 2010 (+22.2%), when the same indicator measured 157.4 million euros.

The measure of profitability was particularly significant:

EBITDA represents 27.5% of consolidated revenues, reflecting an improvement of 170 basis points from 25.8% in the same period of 2010.

The change on a comparable exchange rate basis was negligible: EBITDA during the January-September 2011 period would have been 191.4 million euros, and its ratio as a percentage of revenues would have been 27.3%.

As anticipated, important are the effects on these results driven by the composition of growth in revenues: besides a strong component like for like, an



important contribution to the growth of profitability is given by a major incidence of revenues related to DOS, besides to markets and product categories with a higher profitability.

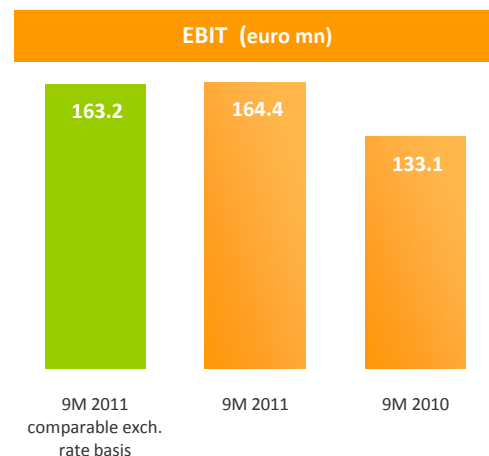
Concerning the costs side, the cost recognised during the period for leases and rentals (which also include royalties for use of licenses) was 46.2 million euros, up 3.4 million euros from the figure for the first three quarters of 2010 (42.8 million euros). The percentage of these costs in terms of revenues thus rose from 7.0% at September 30<sup>th</sup> 2010 to 6.6% at September 30<sup>th</sup> 2011 determined by increase in revenues.

The cost for Group employee remuneration totalled 93.3 million euros, compared with 86.9 million euros in the first nine months of the previous year. During the first nine months of 2011, this cost amounted to 13.3% of Group revenues (first nine month of 2010: 14.3%).

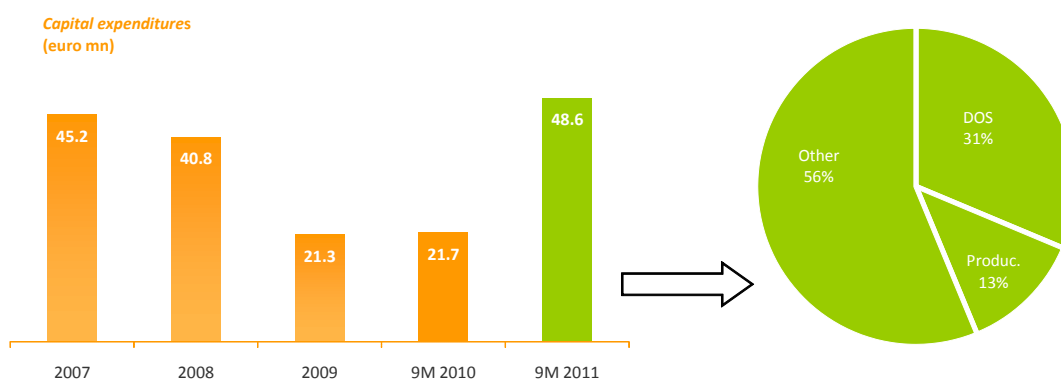
This change is largely tied to the increase in Group headcount, which rose to 3,558 employees at September 30<sup>th</sup> 2011, or 364 and 420 additional employees as compared with the number of employees at December 31<sup>st</sup> and September 30<sup>th</sup> 2010, respectively. The hiring of new employees during the current period is connected both with reinforcement of the Group's organisational functions and the opening of new stores.

Depreciation and amortisation expenses rose, from 23.7 million euros in the first nine months of 2010 to 27.2 million euros in the current period, with a ratio on revenues unchanged representing 3.9%.

EBIT during the period totalled 164.4 million euros (133.1 million euros during the first nine months of 2010), and represented 23.5% of Group sales, up sharply from 21.8% in the first nine months of 2010. On a comparable exchange rate basis, EBIT would have been 163.1 million euros, and would be equal to 23.3% of revenues.



**Capital expenditures.** Capex for the first nine months of 2011 totalled 48.6 million euros. This increase includes about 20 million euros to reflect the intangible asset in relation to the agreement signed for financing of restoration work on the Coliseum. Net of this asset, the outlay for operating capital expenditure totalled 28.9 million euros, compared with 21.7 million euros in the same period of 2010.



Investments in the DOS network totalled 15.2 million euros (12.5 million euros in the first nine months of 2010). This amount was used primarily to expand the DOS network Asia market, with six new store openings in China, Korea and Japan, besides the fitting out of new TOD'S and HOGAN corners in Milan and a ROGER VIVIER corner in Paris.

The remaining investments effected during the period under examination, that were not dedicated to routine updating of infrastructure and industrial equipment, were targeted mainly at extending the Milan showroom and developing proprietary software.

**Net financial position (NFP).** At September 30<sup>th</sup> 2011, its net financial position was 64.5 million euros, consisting of liquid assets (cash and bank deposits) for 138.6 million euros, and liabilities for 74.1 million euros, including 34.1 million euros for short-term exposure.

Not representative the comparison with figures as at September 30<sup>th</sup> 2010 (187.8 million euros), expressing a liquidity position previous the distribution of the extraordinary dividend and the acquisition of the building in Tokyo with the related financial liabilities.

Net Financial Position (Euro 000's)				
09.30.10		09.30.11	12.31.10	Change
	<b>Current financial assets</b>			
219,076	Cash and cash equivalents	138,635	171,729	(33,094)
219,076	<b>Current financial assets</b>	138,635	171,729	(33,094)
	<b>Current financial liabilities</b>			
(23,676)	Current account overdraft	(28,745)	(27,283)	(1,462)
(1,556)	Current share of medium-long term financing	(5,363)	(5,146)	(217)
(25,232)	<b>Current financial liabilities</b>	(34,108)	(32,429)	(1,679)
193,844	<b>Current net financial position</b>	104,527	139,300	(34,773)
	<b>Non-current financial liabilities</b>			
(6,032)	Financing	(40,022)	(42,805)	2,783
(6,032)	<b>Non-current financial liabilities</b>	(40,022)	(42,805)	2,783
187,812	<b>Net financial position</b>	64,505	96,495	(31,990)

This figure rises to 125.7 million euros gross of the dividends paid in the period (+29.2 million euros in respect to December 31st 2010).

As exposed by the analysis of the net working capital, in the period in exam, reflects typical operating financial trends. The third quarter of the year is, in fact, marked by the temporary growth of trade receivables and by the accumulation of stock of current autumn-winter collection in the DOS network; both components will free up cash resources in the last quarter of the year.

Net working capital (Euro 000's)				
09.30.10		09.30.11	12.31.10	Change
187,467	Inventories	216,308	203,136	13,172
189,670	Trade receivables	213,328	119,560	93,768
(107,750)	Trade payables	(134,116)	(130,008)	(4,108)
<b>269,387</b>	<b>Net working capital</b>	<b>295,520</b>	<b>192,688</b>	<b>102,832</b>

### Significant events occurring after the end of the period

No significant events affecting the Group's activities occurred after the period ended in September 30<sup>th</sup> 2011.

### Business Outlook

Sales data of the third quarter, and in particular the generalized excellent trend of sales of DOS, have confirmed the very good signs first observed in the first six months of the year, that is the excellent placing of brands and the strengthened attractiveness of collections, both in domestic and international markets.

Tacking consideration of results of the first nine months of year 2011, of reinforcement of the increasing trend of sales, of performances of Asian markets and of the recovery of the American market, is to say that is possible to strongly express positive forecasts for the whole year 2011, in terms of increase of revenues and margins in respect to previous year 2010.

### Guidelines for preparation of the Quarterly Report

TOD'S Group Quarterly Report on Operations at September 30<sup>th</sup> 2011 was prepared pursuant to Article 154 ter (5) of the Consolidated Law on Financial Intermediation ("TUF") introduced by Legislative Decree 195/2007, in implementation of Directive 2004/109/EC (the "Transparency Directive").

The Quarterly report was approved by the Board of Directors of TOD'S S.p.A. on November 11<sup>th</sup> 2011, and on the same date that body authorized its publication.

### Accounting policies

The accounting policies applied to prepare the financial figures reported on the Quarterly Report at September 30<sup>th</sup> 2011 was prepared by applying IAS/IFRS, issued by IASB and approved by the European Union at the reporting date. IAS/IFRS refers to the *International Accounting Standards* (IAS), *International Financial Reporting Standards* (IFRS), and all interpretative documents issued by the IFRIC (previously called the Standing Interpretations Committee).

The same accounting standards used to prepare the consolidated financial statements at December 31<sup>st</sup> 2010 were used to prepare this Report.

Preparation of the financial figures reported on the Quarterly Report at September 30<sup>th</sup> 2011 entails making estimates and assumptions based on the management's best valuation. If these estimates and assumptions should change in future from the actual circumstances, they will obviously be modified for the period in which those circumstances changed.

Specifically in regard to determination of eventual impairment losses affecting fixed assets, complete tests are performed only when the annual report is prepared, when all information as might be necessary is available, unless there are indications that require immediate valuation of eventual impairment losses or the occurrence of events that required repetition of the procedure.

The rates applied for translation of the financial statements of subsidiaries using a functional currency other than the currency used for consolidation, are illustrated in the following table and compared with those used in the previous period:

	Base	Jan.-Sept. 2011		Jan.-Sept. 2010	
		Exch. rate at Sept. 30 <sup>th</sup>	Average exch. rate	Exch. rate at Sept. 30 <sup>th</sup>	Average exch. rate
US dollar	1	0.741	0.706	0.733	0.762
UK pound	1	0.867	0.876	0.733	0.762
Swiss franc	1	0.822	0.811	0.753	0.715
Hong Kong dollar	100	9.505	9.063	9.441	9.800
Japanese yen	100	0.963	0.882	0.880	0.852
Hungarian forint	1,000	3.418	3.682	3.626	3.636
Singapor dollar	1	0.569	0.567	0.557	0.551
Korean WON	1,000	0.627	0.645	0.645	0.654
Chinese Renminbi	100	10.600	10.886	10.950	11.190
Macao Pataca	100	9.231	8.802	9.172	9.521
Indian Rupia	100	1.512	1.553	1.633	1.655
Albanian Lek	100	0.709	0.710	0.722	0.728

### Alternative indicators of performances

In order to strip the effects of changes in exchange rates from the average values of the first nine months of 2010 from the results for the nine months of 2011, the typical economic indicators (Revenues, EBITDA, EBIT) have been recalculated by applying the average exchange rates for the nine months of 2010, thereby rendering them fully comparable with those of the previous period. However, it should be pointed out that these principles for measuring corporate performance represent a method of interpreting results that is not envisaged in IAS/IFRS, while they must not be considered substitutes for the results calculated according to those principles.

Furthermore, although the aggregate annual sales of the TOD'S Group are not subject to severe seasonal or cyclical variations in aggregate annual sales, its revenues and costs do fluctuate from quarter to quarter, largely in tandem with changes in the volumes of its industrial activity.

For this reason, analysis of the interim operating results and financial indicators (revenues, EBITDA, EBIT, financial position and working capital) cannot be considered fully representative, and it would be incorrect to consider the period indicators referred to in this report as proportionate to the whole year's results.

### Scope of consolidation

On November 26<sup>th</sup> 2010, the Group acquired full ownership of Holpaf B.V., the real estate company that owns the Tokyo building that, since 2005, pursuant to a lease agreement, houses both TOD'S Japan KK's administrative offices and the largest TOD's flagship store in Japan (for further details see the financial statements for 2010). The entire absorption of this company represents the only change in the reporting entity covered under the consolidated financial statements as at September 30<sup>th</sup> 2010. On the contrary no change in respect to the consolidated financial statements as at December 31<sup>th</sup> 2010.

Milan, November 11<sup>th</sup>, 2011

The Chairman of the Board of Directors  
Diego Della Valle

**Declaration pursuant to Article 154bis (2) of the Consolidated Law on Financial Intermediation**

The manager charged with preparing the company's financial reports certifies, pursuant to Article 154bis(2) of the Consolidated Law on Financial Intermediation, that the accounting information presented in this document corresponds to the accounting documents, books, and ledger entries.

The manager charged with preparing the company's financial reports

Rodolfo Ubaldi