

TOD'S

TOD'S Group

D'S

QUARTERLY REPORT ON OPERATIONS  
AT MARCH 31st, 2010

Group

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## Company's data

### Registered office

TOD'S S.p.A.  
Via Filippo Della Valle, 1  
63019 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 e 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  
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 (AP) - 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>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 the TOD'S, HOGAN and FAY brands and licensee of the ROGER VIVIER brand.

### Del.Com. S.r.l.

Subholding for operation of national subsidiaries.

### 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.

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

Company for services.

### 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 promotes products 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 operates 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 New Jersey (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

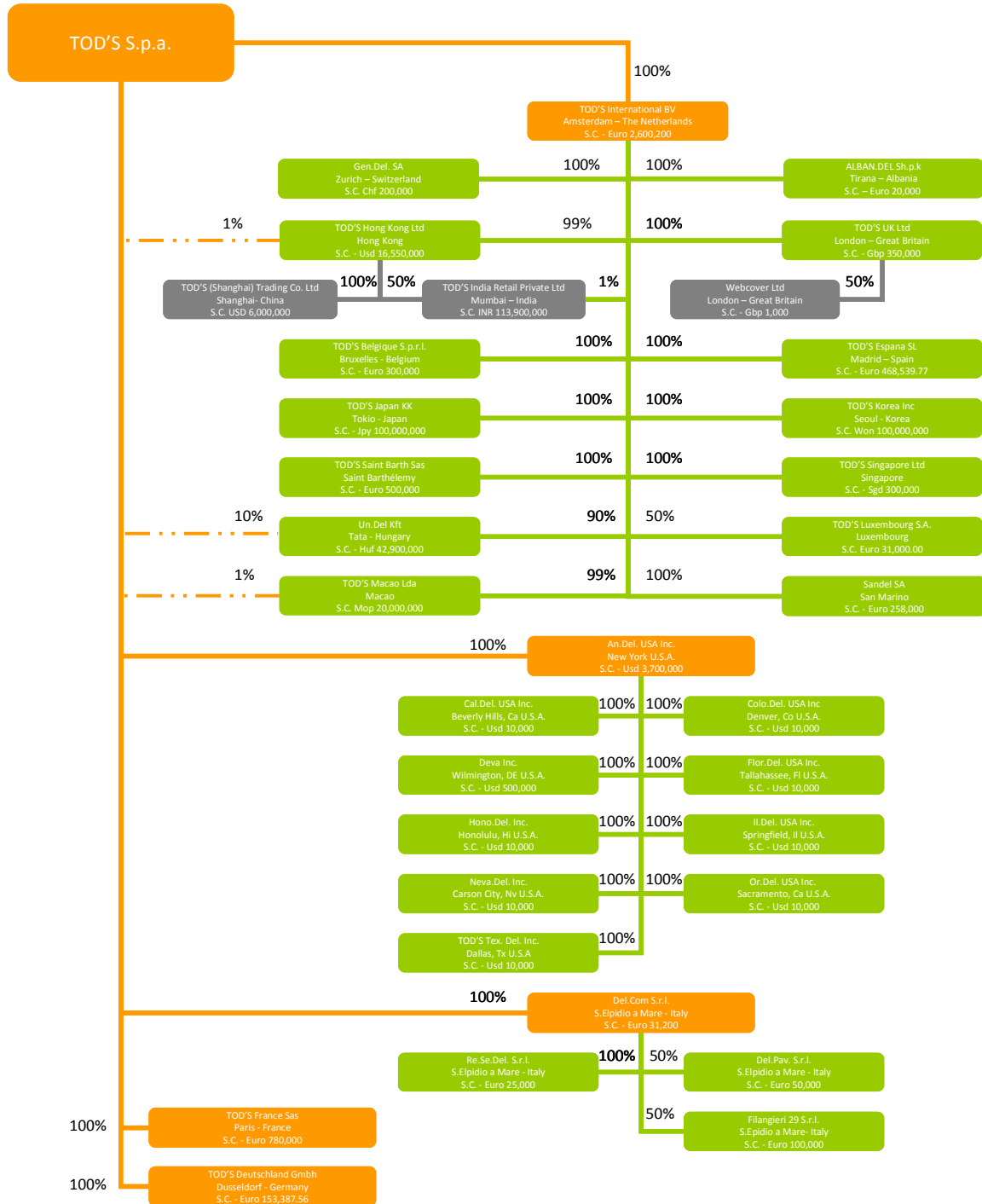
### Un.Del. Kft

Production company

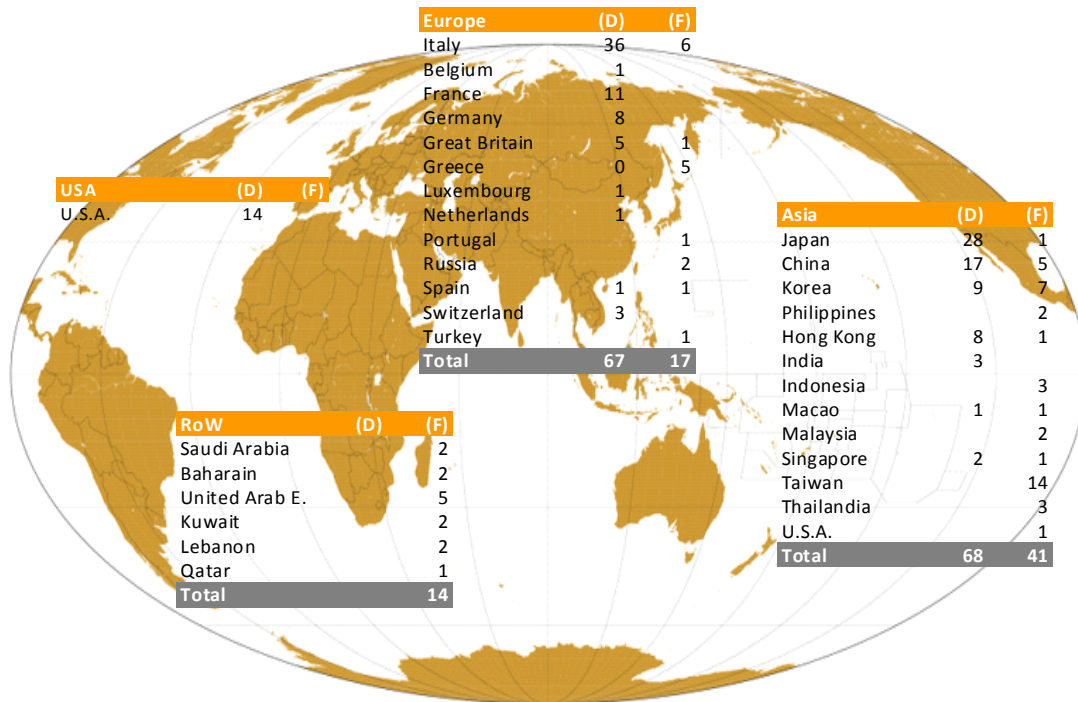
### Alban.Del Sh.p.k.

Production company

Group's organizational chart



Distribution network as of March 31<sup>st</sup>, 2010



(D)=DOS (F)=FRANCHISED STORES

DOS, 2010 new openings

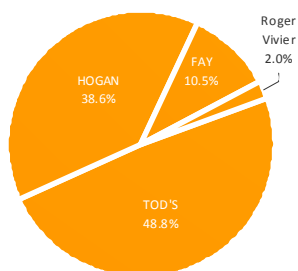
Far East

Osaka (Japan)  
Seoul (Korea)

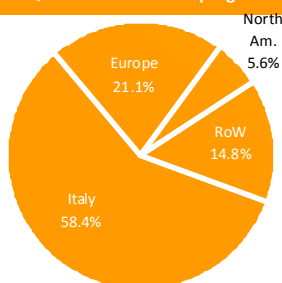
For a complete list of retail outlets operated by the DOS and franchising network, reference should be made to the corporate web site: [www.todsgroup.com](http://www.todsgroup.com)

## Key consolidated financial figures

Q1 10 Revenues - % by brand



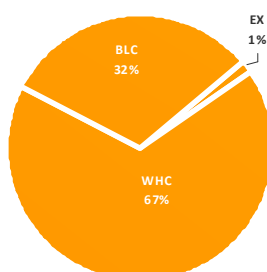
Q1 10 Revenues - % by region



Q1 10 Revenues - % by product



2010 Group employees



P&L key figures (in euro mn)

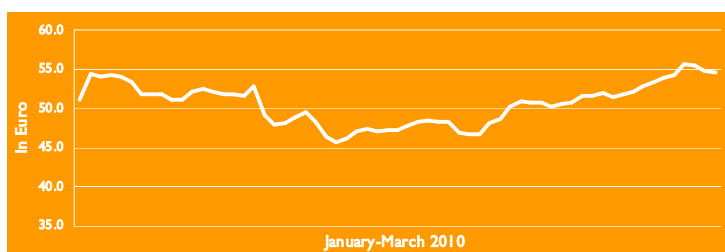
	Q1 2010	Q1 2009 <sup>(1)</sup>	Q1 2008 <sup>(1)</sup>	Q1 2007 <sup>(1)</sup>
Revenues	208.1	201.3	190.9	177.7
EBITDA	48.7 23.4%	44.7 22.2%	42.6 22.3%	38.0 21.4%
EBIT	41.1 19.7%	36.9 18.3%	36.1 18.9%	32.0 18.0%

Key Balance Sheet figures (in euro mn)

	03.31.10	12.31.09	03.31.09
Net working capital <sup>(*)</sup>	235.4	200.1	284.6
Net financial position	180.2	177.2	56.4
Capital expenditures	8.5	21.3	6.1

(\*) Trade receivables + inventories – trade payables

Stock performance



The Group employees

	03.31.10	12.31.09	03.31.09	03.31.08
Year to date	2,958	2,840	2,838	2,664

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

(1) Note: Q1 2009 results have been restated following retrospective application of the amendment to IAS 38, introduced with 2009 Annual Report. The impact was 1 million euro negative for EBITDA and EBIT.



## Highlights of results

**Revenues:** revenues totalled 208.1 million euros in Q1 2010 (the effect of exchange rate fluctuations is 0.7 million euros, positive), for growth of 3.4% from Q1 2009. Sales on the DOS network totalled 78.4 million euros (+5.8%).

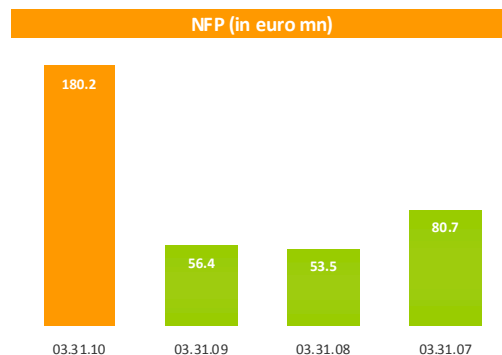
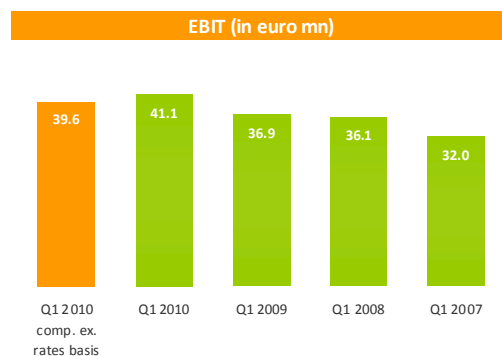
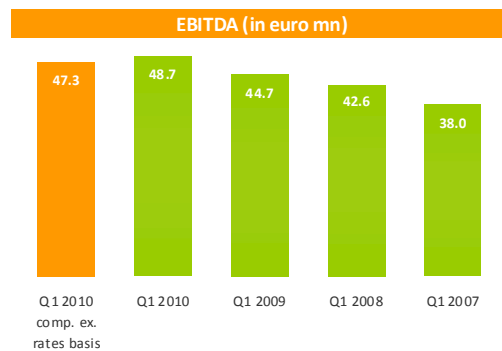
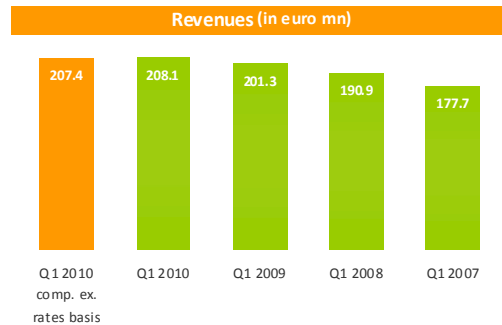
**EBITDA:** important growth of this result, which is 48.7 million euros in Q1 2010, representing a 23.4% return on Group sales (in Q1 2009: 44.7 million euros, with a 22.2% margin).

**EBIT:** this totalled 41.1 million euros, up 11.3% from Q1 2009 (36.9 million euros).

**Net financial position (NFP):** the Group had 209.8 million euros in liquid assets at March 31<sup>st</sup>, 2010. Its net financial position was 180.2 million euros at the same date (up 123.8 million euros from March 31<sup>st</sup>, 2009).

**Capital expenditures:** these totalled 8.5 million euros in Q1 2010, out of which approx. 70% being invested in the distribution network.

**Distribution network:** at March 31<sup>st</sup>, 2010 the single brand distribution network comprised 149 DOS and 72 franchised stores.



TOD'S

TOD'S Group

D'S

REPORT ON OPERATIONS

Group

## 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.

## Group's brands



The TOD'S brand is positioned on the luxury market and combines tradition, top quality and modernity. It offers consumers shoes, leather goods, accessories and apparel whose design is exclusive, functional and never ostentatious, interpreting timeless elegance.

TOD'S products embody the high quality of goods "Made in Italy" that are handcrafted for daily use while offering a sophisticated and elegant look. Certain products, such as the *Driving Shoe* or the *D-Bag*, beloved by celebrities and leaders around the world, have become icons representing a unique and recognisably elegant style for men and women



The HOGAN brand is positioned in the elegant luxury sportswear market, offering consumers contemporary style shoes, leather goods, accessories and apparel with an international vision.

HOGAN products, which are distinguished by their innovative character and high quality, have created a unique style, contributing to changes in the fashion habits of consumers who want a functional, comfortable, but also sporty and elegant product for everyday life.

HOGAN products are trend-setters in defining an elegant and sporty look. Some of its models are best sellers, such as its *Interactive* shoes.



This brand offers consumers a line of high-quality apparel that is distinguished by the technical treatment of fabrics, obsession for detail and extreme functionality, combining style and quality with excellence. FAY products can be worn everywhere: from the sports stadium to the office, and from the city to the countryside. In every season, the FAY collection offers innovative, recognisable products for men, women and children.

### Foreign currency markets

During the first quarter of 2010, analysis of average euro exchange rates against non-EU currencies shows a trend similar to the end of 2009, with the continuous weakening of the common currency.

The comparison of the average euro exchange rates of Q1 2010 versus Q1 2009 shows a slight strengthening of Euro against the major non-EU currencies, such as the Japanese YEN, the US dollar and the US linked currencies. The Korean WON shows a strong rebound, and is recovering the exchange rate of the beginning of 2008, after two weak years.

### Principal events and operations during the period

In the first quarter of 2010, the Group continued to implement the operating strategies, which were effectively adopted in the year 2009, with the aim to face the volatility and unpredictability dominating global markets.

Thanks to the further implementation of the measures to streamline costs and eliminate less efficient areas, and the prudent assessment of operating and capital expenditure processes (capital expenditures totalled 8.5 million euros in Q1 2010, compared with 6.1 million euros in Q1 2009) the Group has seen its capital and, above all, its financial structure actually strengthen.

In fact, the quarterly results show a significant growth of profits and a further improvement of the Group's financial position, which is even more noteworthy if considering that the first quarter is historically characterized by the use of cash, necessary to finance the temporary working capital requirements.

In the first months of 2010, as of today, five new direct stores were opened, with a special focus on mainland China. In this important and strategic – for the global luxury industry - market, the Group consolidated the presence of the TOD'S brand (with two openings this year), and started the introduction of the HOGAN and ROGER VIVIER brands, which are scheduled to inaugurate their first single brand stores in Shanghai in the second half of the year.

### The Group's results in Q1 2010

In the first quarter of 2010, TOD'S Group sales totalled 208.1 million euros, with growth of 6.8 million euros from the same period of 2009 (+3.4%). The impact of currency fluctuations is not meaningful: on a comparable exchange rate basis, sales would have been 207.4 million euros, with growth of 3.1%.

Outstanding results in terms of profitability: EBIT was 41.1 million euros, up 4.2 million euros, for growth of 11.3%.

(In Euro 000's)					
FY 2009	Principal economics indicators	Q1 2010	Q1 2009	Change	%
707,553	Sales revenues	208,069	201,277	6,792	3.4
156,204	EBITDA	48,730	44,665	4,065	9.1
(29,603)	Deprec., amort. and write-downs	(7,652)	(7,759)	107	(1.4)
126,601	EBIT	41,078	36,906	4,172	11.3
	Foreign exchange impact on revenues	(622)			
	Adjusted sales revenues	207,447	201,277	6,170	3.1
	Foreign exchange impact on operating costs	(800)			
	Adjusted EBITDA	47,308	44,665	2,643	5.9
	Foreign exchange impact on deprec./amort.	(50)			
	Adjusted EBIT	39,606	36,906	2,700	7.3
	EBITDA %	23.4	22.2		
	EBIT %	19.7	18.3		
	Adjusted EBITDA %	22.8	22.2		
	Adjusted EBIT %	19.1	18.3		

Note: Q1 2009 results have been restated following retrospective application of the amendment to IAS 38, introduced with 2009 Annual Report. The impact was 1 million euro negative for EBITDA and EBIT.

(In Euro 000's)				
03.31.09	Principal Balance sheet indicators	03.31.10	12.31.09	Change
284,589	Net working capital <sup>(*)</sup>	235,393	200,129	35,264
56,395	Net financial position	180,214	177,189	3,025
6,072	Capital expenditures	8,475	21,310	n.s.

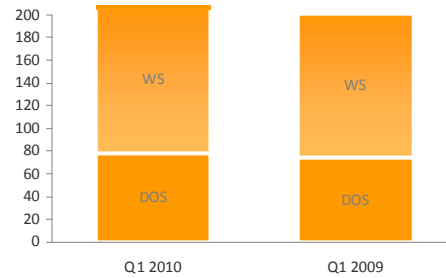
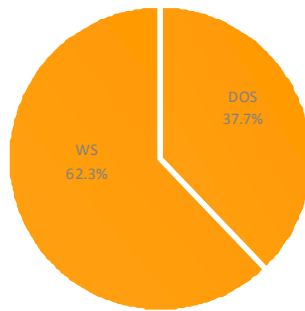
<sup>(\*)</sup> Trade receivables + inventories – trade payables

**Revenues.** The Group's consolidated revenues totalled 208.1 million euros in Q1 2010, with growth of 3.4%, from Q1 2009; at comparable exchange rates (i.e.: using the same average exchange rates for the period January - March 2009), revenues would have totalled 207.4 million euros, with growth of 3.1%. These results are even more noteworthy if considering the challenging comparison basis: in Q1 2009 sales grew by 5.4% versus Q1 2008, driven by the positive Spring Summer orders' backlog, collected by wholesale clients before the real effects of the crisis.

Before starting the analysis of the breakdown by distribution channel, it's important to remind that the first quarter turnover is mainly generated by the wholesale channel, due to the different timing in accounting Group's revenues. In fact, deliveries made to DOS are accounted as stock inventory in the consolidated results as of the end of March and are translated into revenues only in the second quarter, when the products are sold by the stores to the final customers.

In the first quarter of 2010, revenues to third parties totalled 129.7 million euros, with growth of 2% from Q1 2009. The DOS network posted outstanding results, confirming the

(In euro mn)	Q1 2010	%	Q1 2009	%	Change	%
DOS	78.4	37.7	74.1	36.8	4.3	5.8
WS	129.7	62.3	127.2	63.2	2.5	2.0
<b>Total</b>	<b>208.1</b>	<b>100.0</b>	<b>201.3</b>	<b>100.0</b>	<b>6.8</b>	<b>3.4</b>



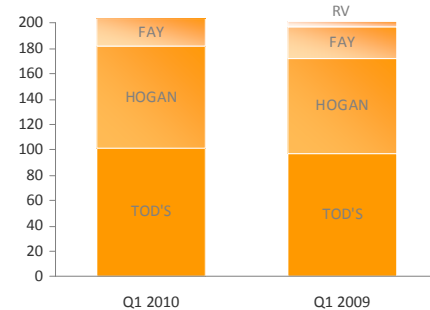
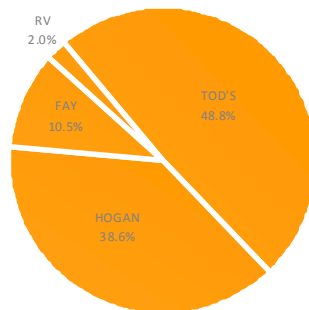
strong success of Spring/Summer collections; revenues through DOS globally amounted to 78.4 million euros, with a growth of 5.8% from Q1 2009.

Also the organic growth was outstanding: 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>, 2009, was 4.3% for the first 18 weeks of the year (from January 1<sup>st</sup> to May 2<sup>nd</sup>, 2010).

As of March 31<sup>st</sup>, 2010 the Group's distribution network was composed by 149 DOS and 72 franchised stores, compared to 150 DOS and 72 franchised stores as of the end of March 2009.

Tod's brand revenues totalled 101.6 million euros in the first three months of 2010, with growth of 4.2% from Q1 2009. Positive results across all the brand's product categories.

(In euro mn)	Q1 2010	%	Q1 2009	%	Change	%
TOD'S	101.6	48.8	97.5	48.5	4.1	4.2
HOGAN	80.2	38.6	74.5	37.0	5.7	7.7
FAY	21.9	10.5	25.2	12.5	(3.3)	(13.4)
RV	4.2	2.0	3.9	1.9	0.3	7.9
Other	0.2	0.1	0.2	0.1	0.0	n.s.
<b>Total</b>	<b>208.1</b>	<b>100.0</b>	<b>201.3</b>	<b>100.0</b>	<b>6.8</b>	<b>3.4</b>



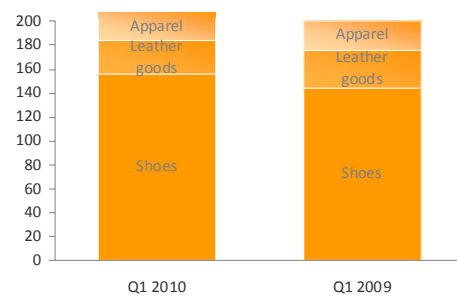
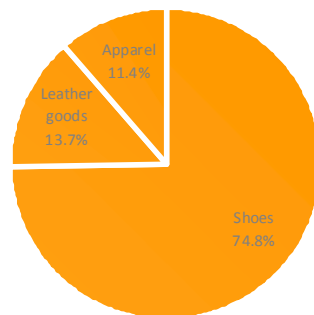
The Hogan brand confirmed also this year the outstanding results achieved in the last seasons: sales were 80.2 million euros in Q1 2010, with growth of 7.7% from Q1 2009.

Fay brand revenues were 21.9 million euros in the first three months of 2010; this performance has been mostly affected also by the different timing of Spring/Summer deliveries. Finally, the Roger Vivier brand realized 4.2 million euros in revenues in Q1 2010, with growth of 7.9% from Q1 2009. After the rationalization of the distribution made last year, the brand is restarting its growth, confirming its huge potential.

The analysis of the breakdown by product shows the continuous strengthening of the Group's leadership in the core business of shoes.

Sales from this product category totalled 155.7 million euros, with growth of 7.6% from Q1 2009. Revenues from leather goods and accessories totalled 28.5 million euros in Q1 2010, with a

(In euro mn)	Q1 2010	%	Q1 2009	%	Change	%
Shoes	155.7	74.8	144.7	71.9	11.0	7.6
Leather goods	28.5	13.7	31.6	15.7	(3.1)	(9.9)
Apparel	23.7	11.4	24.8	12.3	(1.1)	(4.2)
Other	0.2	0.1	0.2	0.1	0.0	n.s.
<b>Total</b>	<b>208.1</b>	<b>100.0</b>	<b>201.3</b>	<b>100.0</b>	<b>6.8</b>	<b>3.4</b>



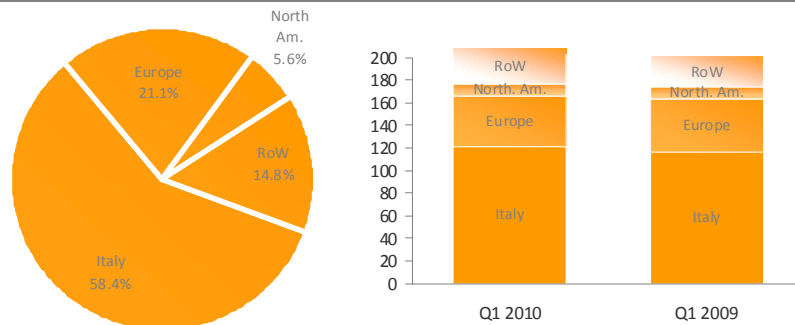
decrease of 9.9% as compared to Q1 2009, mainly due to the lower average price of some new iconic products.

Finally, sales from apparel were 23.7 million euros in the first three months of 2010; positive signals from the Tod's and Hogan apparel collections, which partially offset the already commented Fay's performance.

Also in the current year, the Group is confirming its strong leadership on the domestic market. Sales amounted to 121.6 million euros in the first three months of 2010, with growth of 4.4% from Q1 2009. In the rest of Europe, sales totalled 44.0 million euros; the slight decrease compared to Q1 2009 is mainly due to the prudent decision to temporarily reduce the orders coming from some countries, whose economies are affected by the global crisis (i.e.: Spain, Greece, Russia). The most recent events are confirming the wisdom of this decision. The US market achieved outstanding results, showing significant signals of recovery: the Group's sales totalled 11.6 million euros, with growth of 5.5% from Q1 2009. At constant exchange rates,

sales on this market grew double-digit. Also the area “Rest of World” continues to post excellent results, confirming the huge growth potential for the Group. In Q1 2010, aggregate revenues for that area were

(In euro mn)	Q1 2010	%	Q1 2009	%	Change	%
Italy	121.6	58.4	116.5	57.9	5.1	4.4
Europe	44.0	21.1	46.5	23.1	(2.5)	(5.5)
North America	11.6	5.6	11.0	5.5	0.6	5.5
RoW	30.9	14.9	27.3	13.6	3.6	13.3
<b>Total</b>	<b>208.1</b>	<b>100.0</b>	<b>201.3</b>	<b>100.0</b>	<b>6.8</b>	<b>3.4</b>



30.9 million euros, with growth of 13.3% from Q1 2009.

**Operating results.** Both EBITDA and EBIT registered really positive performances in the first quarter of 2010, posting significant growth compared to Q1 2009. These results are even more noteworthy, if considering the challenging comparison basis: in Q1 2009, revenues and EBITDA grew, respectively, by 5.4% and by 4.9% versus Q1 2008.

Euro/000	Q1 2010	Q1 2009	FY 2009
<b>Revenues</b>			
Sales revenues	208,069	201,277	713,135
Other revenues and income	5,115	4,235	15,454
<b>Total revenues</b>	<b>213,184</b>	<b>205,512</b>	<b>728,589</b>
<b>Operating costs</b>			
Change in inventories of work in prog. and finis. goods	(13,814)	(11,403)	(48,111)
Costs for raw materials, supplies and material for cons.	(43,149)	(44,441)	(145,998)
Costs for services	(60,820)	(59,299)	(201,343)
Costs for use of third party assets	(13,615)	(12,730)	(51,377)
Costs of labour	(28,140)	(28,218)	(107,340)
Other operating charges	(4,916)	(4,756)	(15,767)
<b>Total operating costs</b>	<b>(164,454)</b>	<b>(160,847)</b>	<b>(569,936)</b>
<b>EBITDA</b>	<b>48,730</b>	<b>44,665</b>	<b>158,653</b>
<b>Amortisation, depreciation and write-downs</b>			
Amortisation of intangible assets	(1,780)	(1,737)	(7,242)
Depreciation of tangible assets	(5,722)	(5,971)	(23,237)
Other adjustments	-	-	(562)
<b>Total amortisation, depreciation and write-downs</b>	<b>(7,502)</b>	<b>(7,708)</b>	<b>(31,041)</b>
Provisions	(150)	(51)	(1,164)
<b>EBIT</b>	<b>41,078</b>	<b>36,906</b>	<b>126,448</b>



In the first quarter of 2010, EBITDA totalled 48.7 million euros, representing 23.4% of the Group's sales, with growth of 9.1% or 4.1 million euros from Q1 2009 (44.7 million euros, with a 22.2% margin on sales). On a comparable exchange rate basis, EBITDA would have been 47.3 million euros, or 22.8% of sales, with growth of 2.6 million euros.

In this period, EBITDA fully benefitted from the margin coming from the sales growth. In fact, despite the growth of revenues, the cost structure remained broadly the same as in Q1 2009: the slight increase of rental costs related to the DOS distribution network, due to the widening of the network, was offset by higher operating efficiency.

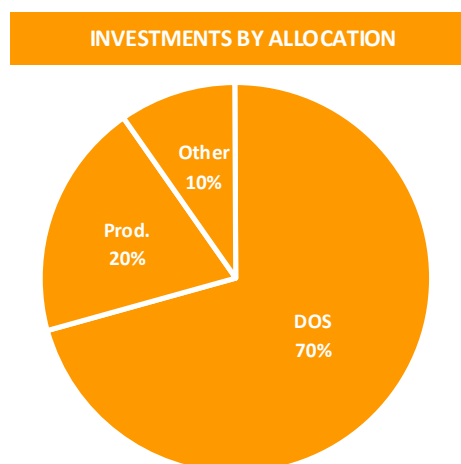
It's important also the contribution coming from labour costs, which were broadly stable versus Q1 2009, despite the increase of the Group's headcount (120 additional persons: 2,838 employees at March 31<sup>st</sup>, 2009 compared to 2,958 at March 31<sup>st</sup>, 2010). In Q1 2010, labour costs totalled 28.1 million euros (28.2 million euros in Q1 2009), equal to 13.5% of revenues (Q1 2009: 14.0%).

The operating result grew double-digit: +11.3% versus Q1 2009. Net of depreciation and amortisation charges (7.5 million euros), EBIT totalled 41.1 million euros in Q1 2010, equal to 19.7% of revenues. In Q1 2009, EBIT was 36.9 million euros, or 18.3% of the Group's sales. On a comparable exchange rate basis, EBIT would have totalled 39.6 million euros, equal to 19.1% of sales.

**Capital expenditures.** In Q1 2010, capital expenditures totalled 8.5 million euros, compared to 6.1 million euros invested in Q1 2009.

They were mainly devoted to the direct distribution network: including, in particular, the widening of the selling surface of the TOD'S store in Munich and of the ROGER VIVIER boutique in Hong Kong.

In Hong Kong, the Group also relocated the Canton Road flagship store.



**The net financial position.** At the end of the quarter, the net financial position was 180.2 million euros, higher than the balance at the beginning of the period. At December 31<sup>st</sup>, 2009 the net financial position was 177.2 million euros, as the balance of 204.0 million euros financial assets and 26.8 million euros financial liabilities.

Net financial position (In euro 000's)				
03.31.09		03.31.10	12.31.09	Change
<b>Current financial assets</b>				
85,287	Cash and cash equivalents	209,833	204,009	5,824
85,287	Cash	209,833	204,009	5,824
<b>Current financial liabilities</b>				
(19,098)	Current account overdraft	(21,279)	(18,480)	(2,799)
(1,454)	Current share of medium-long term financing	(1,521)	(1,521)	-
(20,552)	Current financial liabilities	(22,800)	(20,001)	(2,799)
64,735	Current net financial position	187,033	184,008	3,025
<b>Non-current financial assets</b>				
(8,340)	Financing	(6,819)	(6,819)	-
(8,340)	Non-current financial assets	(6,819)	(6,819)	-
56,395	Net financial position	180,214	177,189	3,025

This figure is particularly noteworthy, considering that the Group generated cash even in the first quarter, which is historically characterized by the use of cash, due to the temporary financing of the working capital growth, mainly due to trade receivables toward wholesale clients.

At March 31<sup>st</sup>, the operating net working capital was 235.4 million euros, showing a sharp decrease versus the balance of the same period of 2009 (-49.2 million euros), in line with the trend experienced in full year 2009.

Net working capital (In euro 000's)				
		03.31.10	12.31.09	Change
228,677	Inventories	186,243	196,051	(9,808)
170,596	Trade receivables	176,135	107,999	68,136
(114,684)	Trade payables	(126,985)	(103,921)	(23,064)
284,589	Net working capital	235,393	200,129	35,264

At the financial level, the FY 2009 dividend coupon is scheduled to be paid on May 24<sup>th</sup>, as approved by the Shareholders' Meeting of the parent company TOD'S S.p.A. on April 22<sup>nd</sup>, 2010. The dividend, totalling 45,9 million euros, at the rate of 1,50 (one/50) per each of the 30,609,401 shares comprising the share capital at the payment date, will be paid to all the shareholders entered on the Register of Shareholders at the coupon payment date.

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

There have not been any significant operating events affecting the Group's activities since March 31<sup>st</sup>, 2010.

### Business outlook

The outstanding results achieved in Q1 2010, in terms of sales and profits, cannot be extrapolated to the full year, but they allow to reassert the sales and profitability targets for 2010, individuated together with the approval of 2009 Annual Report.

Quite positive signals coming from our distribution network, both as sell-through of the Spring Summer collections, and as quality of the revenues, with a better mix of full price/promotional sales. Also the next Fall Winter orders' collections has registered positive results, in line with the management expectations.

### Guidelines for preparation of the Quarterly Report

The TOD'S Group Quarterly Report on Operations at March 31<sup>st</sup>, 2010 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 consolidated financial statements were approved by the Board of Directors of TOD'S S.p.A. on May 13<sup>th</sup>, 2010, 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 March 31<sup>st</sup>, 2010 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>, 2009 were used to prepare this Report.

Preparation of the financial figures reported on the Quarterly Report at March 31<sup>st</sup>, 2010 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.-Mar. 2010		Jan.-Mar. 2009	
		Exch. Rate at March 31 <sup>st</sup>	Average exch. rate	Exch. Rate at March 31 <sup>st</sup>	Average exch. rate
US Dollar	1	0.742	0.723	0.751	0.768
UK pound	1	1.124	1.128	1.074	1.102
Swiss franc	1	0.705	0.683	0.660	0.668
Hong Kong dollar	100	9.555	9.311	9.696	9.909
Japanese Yen	100	0.794	0.796	0.762	0.822
Hungarian forint	1,000	3.763	3.723	3.244	3.406
Singapor dollar	1	0.530	0.515	0.494	0.508
Korean WON	1,000	0.657	0.632	0.638	0.698
Chinese Renminbi	100	10.869	10.584	10.996	11.233
Indian rupia	100	1.653	1.574	1.484	1.546
Macao Pataca	100	9.284	9.042	9.413	9.614

### Alternative indicators of performances

In order to strip the effects of changes in exchange rates from the average values of the first three months of 2009 from the results for the three months of 2010, the typical economic indicators (Revenues, EBITDA, EBIT) have been recalculated by applying the average exchange rates for the three months of 2009, 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

In June 2009 the subsidiary ALBAN.DEL Sh.p.k. was incorporated, operating within the framework of the manufacturing process by carrying out preliminary production steps. The consolidation of this subsidiary is the only change in the consolidation area, as compared with the situation at March 31<sup>st</sup>, 2009. On the contrary, there is any difference versus the consolidation area at December 31<sup>st</sup>, 2009

### Transactions with related parties

In the first three months of 2010, the TOD'S Group participated in a number of transactions with parties that have an interest in the Group itself (mainly directors). These transactions, which were all exclusively in the Group's interest, were carried out by applying contractual conditions that would theoretically be applied in an arm's length transaction, in compliance with the governance rules aimed at assuring their regularity, transparency, and substantial fairness.

The principal object of transactions with related parties was the sale of products, lease of spaces for retail outlets, show rooms, and offices, the user license for the Roger Vivier brand, provision of advertising services.

The following table illustrates the details of these transactions: the transactions amongst Group's companies included in the scope of consolidation were eliminated from the consolidated financial statements, and thus they are not shown in these notes.

#### i. Commercial transactions with other related entities – Revenues and costs

(In euro 000's)	Q1 2010		Q1 2009	
	Costs	Revenues	Costs	Revenues
<b>Selling products</b>				
Roger Vivier Paris S.a.s	106	488	139	434
Marcolin S.p.A.	510	1,399		
<b>Ordinary leases</b>				
Immobiliare De.Im. S.r.l.	701	16	753	
Difran S.a.s.	51		51	
Holpaf BV	1,042		1,055	
<b>User license contract "Roger Vivier"</b>				
Gousson - Consultadoria & Mark. Lda	434	2,260	325	2.307
<b>Advertising services</b>				
Forma Pura S.r.l.	730	17	632	
<b>Total</b>	<b>3,574</b>	<b>4,180</b>	<b>2,955</b>	<b>2,741</b>

## ii. Commercial transactions with other related entities – receivables and payables

(In euro 000's)	03.31.10		03.31.09	
	Receivables	Payables	Receivables	Payables
Roger Vivier Paris S.a.s	524	87	853	189
Marcolin S.p.A.	1,044	616		
Immobiliare De.Im. S.r.l.	618	780	588	783
Difran S.a.s.				61
Holpaf BV		7		7
Gousson - Consultadoria & Mark. Lda	9,038	987	8,159	1,059
Forma Pura S.r.l.	176	1,213	183	591
<b>Total</b>	<b>11,400</b>	<b>3,690</b>	<b>9,783</b>	<b>2,690</b>

## iii. Commercial transactions with unconsolidated subsidiaries

Receivables and payables (In euro 000's)	03.31.10		03.31.09	
	Receivables	Payables	Receivables	Payables
<i>Special Purpose Entities</i>	1,123	3	2,699	1,485

Milan, May 13<sup>th</sup>, 2010

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