

Milan – May 12<sup>th</sup>, 2006

## **TOD'S S.p.A.: excellent start of the year 2006**

**The Board of Directors approved the Consolidated Financial Statements for the first quarter of 2006.**

Q1 06 Group's revenues: 161.4 million Euros, increasing by 14.8% compared to Q1 2005; EBITDA: 38.2 million, with a 27.3 growth versus Q1 05; EBIT: 32.3 million, growing by 32.5%; net income: 19.4 million, with a 30.5% increase

The Board of Directors of Tod's S.p.A., the Italian company listed on the Milan Stock Exchange and holding of the luxury goods group of the same name operating in luxury shoes, leather goods and apparel with the Tod's, Hogan and Fay brands, today approved its Consolidated Financial Statements for the first quarter of 2006 (January 1<sup>st</sup> – March 31<sup>st</sup> 2006).

These consolidated financial statements have been prepared in compliance with the IAS/IFRS accounting principles; Q1 2005 consolidated figures have been consequently restated and adjusted, in order to be fully comparable<sup>1</sup>.

In line with management expectations, first quarter 2006 results confirm the ongoing growth of the Group's revenues and profitability. Quarterly figures are excellent, even more if considering the very challenging comparison basis.<sup>2</sup>

We remind once again that analysing quarterly results is not fully meaningful, since the very nature of the industrial activities leads to discrepancies in month-on-month revenue and cost fluxes. As a result, it would be misleading to annualise quarterly results.

At constant exchange rates, meaning using the 2005 average exchange rates, revenues were 160.1 million, increasing by 13.9% as compared to Q105; EBITDA and EBIT were broadly unchanged.

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<sup>1</sup> The Group started to adopt the new IAS/IFRS accounting principles with H1 05 financial statements.

<sup>2</sup> We remind that in Q105 revenues increased by 33% as compared to Q104, EBITDA and EBIT grew respectively by 71% and 157% (figures released according to Italian GAAPs).

### **Breakdown of Consolidated Sales by Brand: very strong growth for the two major brands**

<i>million Euros</i>	Q1 2006	Q1 2005	% change	FY 2005
Tod's	90.5	77.0	+17.5%	288.5
Hogan	46.9	40.2	+16.7%	126.1
Fay	21.1	20.3	+4.0%	77.1
Other	2.9	3.1	-7.5%	11.3
TOTAL	161.4	140.6	+14.8%	503.0

All the Group's brands confirm their continuous and steady growths.

Excellent results were achieved by Tod's and Hogan revenues, which represent respectively 56.1% and 29.0% of the Group's turnover as of March 31<sup>st</sup>, 2006. Tod's sales grew by 17.6% and Hogan revenues increased by 16.7%.

Fay sales grew by 4% and represent 13.1% of the consolidated turnover.

"Other" sales include revenues from other brands, produced by the Group under licence and/or manufacturing agreements, for a total value of 2.9 million Euros, or 1.8% of consolidated turnover.

### **Breakdown of Consolidated Sales by Product: very strong growth for shoes and leather goods**

<i>million Euros</i>	Q1 2006	Q1 2005	% change	FY 2005
Shoes	105.4	92.6	+13.9%	314.7
Leather goods and accessories	35.8	28.2	+27.1%	111.9
Apparel	20.0	19.6	+2.1%	75.4
Other	0.2	0.2	n.m.	1.0
TOTAL	161.4	140.6	+14.8%	503.0

Revenues from shoes and leather goods continued to grow strongly also in the first quarter of 2006. Sales from shoes, which represent 65.3% of the Group's turnover as of March 31<sup>st</sup>, 2006, posted a 13.9% increase in the period.

Revenues from leather goods and accessories grew by 27.1% in the first quarter of 2006 and globally represent 22.2% of consolidated turnover, two percentage points higher than the corresponding figure of the previous year.

Finally, revenues from apparel, grew by 2.1% in the first three months of 2006 and represent 12.4% of the Group's turnover as of March 31<sup>st</sup>, 2006.

**Breakdown of Consolidated Sales by Region: all the markets are growing; outstanding results in Italy e in Asia**

<i>million Euros</i>	Q1 2006	Q1 2005	% change	FY 2005
Italy	78.2	67.8	+15.3%	241.4
Europe (excl. Italy)	44.3	42.3	+4.9%	134.3
North America	14.1	13.3	+5.9%	57.0
Asia and rest of world	24.8	17.2	+44.4%	70.3
TOTAL	161.4	140.6	+14.8%	503.0

The Group achieved outstanding results on the domestic market, where revenues increased by 15.3% in Q1 2006, representing 48.4% of consolidated turnover as of March 31<sup>st</sup>, 2006.

Group's sales in the rest of Europe grew by 4.9% in the period under comment.

Also the US market posted a sound growth; revenues increased by 5.9% on this market.

Finally, Asian markets continued to achieve an outstanding performance, also fuelled by the Group's ongoing focus on this important growing region. Revenues increased by 44.4% in the first quarter of 2006 and represent 15.4% of consolidated sales as of March 31<sup>st</sup>, 2006, more than three percentage points higher than in the corresponding period of the previous year.

**Breakdown of Consolidated Sales by Distribution Channel: strong organic growth in all the channels**

<i>million Euros</i>	Q1 2006	Q1 2005	% change	FY 2005
DOS	57.3	52.9	+8.3%	258.8
Franchised stores and independent retailers	104.1	87.7	+18.7%	244.2
TOTAL	161.4	140.6	+14.8%	503.0

As already explained, the breakdown of revenues by distribution channel is not meaningful in the first quarter of the year, when turnover is mainly represented by wholesale sales due to the different accounting timing. In fact, deliveries made to DOS are booked as DOS stock inventory under the consolidation process and are translated into revenues only in the second quarter, when the products are sold to the final customers.

Wholesale revenues globally increased by 18.7% in the first quarter of 2006, driven by the ongoing growth of sales to independent retailers, after the streamlining measures implemented in the previous years, and by the strong increase in the franchised store network (52 stores as of March 31<sup>st</sup>, 2006 compared to 36 stores of the previous year).

Also revenues through the DOS network achieved very good results, with a 8.3% increase in the period, fuelled by the organic growth of sales realized at existing stores.

The Same Store Growth figure, calculated as the worldwide average of revenue growth rates reported by the DOS open as of January 1<sup>st</sup>, 2005, was 8.1% for the period January-April 2006 (corresponding to the first 18 weeks of the year).

In the first quarter of 2006 the Group opened six franchised stores in Asia; as of March 31<sup>st</sup>, 2006 the distribution network is represented by 105 DOS and 52 franchised stores.

### **Comments to the main Profit & Loss figures**

In the first quarter of 2006, the Group's EBITDA was 38.2 million, growing by 27.3% as compared to Q1 2005. The margin on sales was 23.6%, more than two percentage points higher than in the first three months of 2005 (21.3%).

While reminding that in the first quarter of the year analysing profit and loss figures is not fully meaningful, we note that the very strong EBITDA growth is mainly due to the ongoing improvement of operating efficiency and leverage. In line with the continuing growth of the Group's headcount (2,202 employees as of March 31<sup>st</sup>, 2006 versus 2,118 as of March 31<sup>st</sup>, 2005), the incidence on sales of labour costs slightly increased (13.2% in Q1 2006 versus 12.7% in Q1 2005).

The Group's EBIT was 32.3 million in the first quarter of 2006, growing by 32.5% versus the first three months of 2005. The margin on sales was 20%, almost three percentage points higher than in the first three months of 2005 (17.4%). The strong growth of operating margin was amplified by the lower incidence on revenues of depreciation and amortisation (3.6% in Q1 2006 versus 3.9% in Q1 2005).

Profit before taxes was 32.3 million, in line with EBIT, since the result of financial operations was neutral, and the margin on sales was 20%.

After a tax burden of 13.2 million, consolidated net income was 19.1 million, growing by 28.8% as compared to Q1 2005. Net of minorities, the Group's net income was 19.4 million, with a 30.5% increase versus Q1 2005.

## **Comments on the Balance Sheet and Cash Flow key figures**

The total investments in fixed assets made in the first three months of 2006 amounted to 5 million, broadly in line with the investments made in Q1 2005. They were mainly related to the normal development of industrial, commercial and administrative structures.

As of March 31<sup>st</sup>, 2006 the net financial position is positive and equal to 80.4 million (which compares to 48.2 millions of twelve months before). The 16.5 million change versus the balance as of December 31<sup>st</sup>, 2005 is due to the physiological and temporary financing of trade receivables, which will be cashed in in the following quarter.

Consolidated shareholders' equity was 497.5 million, which compares to 478.5 million as of December 31<sup>st</sup>, 2005.

## **Considerations of the Chairman:**

Diego Della Valle, Chairman and CEO of the Group, commented as follows: "The results released today confirm the soundness of our Group's growth, clear sign of the effectiveness of our strategy and of the strong growth potential for the next years. I'm very satisfied with the orders backlog for the Fall Winter collections. Therefore, I can confirm our expectations to achieve in 2006 a significant growth of revenues and a more than proportional increase in profitability."

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## ATTACHMENTS

### TOD'S GROUP

#### Key figures of Profit & Loss (compliant with IAS/IFRS principles)

<i>Figures in million Euros</i>	<b>Q1 2006</b>	<b>Q1 2005</b>	<b>Full year 2005</b>
Revenues	161.4	140.6	503.0
EBITDA	38.2	30.0	112.9
EBIT	32.3	24.4	90.1
Profit before taxes	32.3	24.8	91.9
Net income	19.1	14.9	53.9
<i>Of which: Group's net income</i>	<i>19.4</i>	<i>14.8</i>	<i>53.4</i>
<i>minorities</i>	<i>(0.3)</i>	<i>(0.1)</i>	<i>0.5</i>

#### Key figures of Balance Sheet (compliant with IAS/IFRS principles)

<i>Figures in million Euros</i>	<b>March 31<sup>st</sup>, 2006</b>	<b>March 31<sup>st</sup>, 2005</b>	<b>December 31<sup>st</sup>, 2005</b>
Operating net working capital (1)	158.1	131.0	114.5
Tangible and intangible fixed assets	278.3	280.3	279.7
Other assets/(liabilities), net	(19.3)	(9.1)	(12.7)
Total Invested Capital	417.1	402.2	381.5
Net financial position (positive)	(80.4)	(48.2)	(97.0)
Consolidated Shareholders' equity	497.5	450.4	478.5

(1) Trade receivables + Inventory – Trade payables

#### Key figures of Cash Flow (compliant with IAS/IFRS principles)

<i>Figures in million Euros</i>	<b>3 months 2006</b>	<b>3 months 2005</b>
Operating Cash Flow	(11.7)	0.8
Cash flow generated/(used) by investing activities	(4.5)	(4.7)
Cash Flow generated/(used) by financing activities	(0.7)	(0.5)
Free Cash Flow generated/(used)	(16.9)	(4.4)