

# TWIN - SET

SIMONA BARBIERI

## **TWIN SET –SIMONA BARBIERI S.p.A.**

Interim Consolidated Financial Statements  
as of and for the six months ended June  
30,2014

# TWIN – SET

SIMONA BARBIERI

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Management's discussion and analysis of  
financial condition and results of operations as of  
and for the six months ended  
June 30, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following is a discussion and analysis of the financial condition and results of operations of Twin Set – Simona Barbieri Group (Group) as of and for the six months ended June 30, 2014. This discussion should be read together with the Twin Set – Simona Barbieri Group Interim Consolidated Financial Statements as of and for the six months ended June 30, 2014 prepared in accordance with Italian GAAP and the related notes. We have condensed and renamed certain Italian GAAP line items in these statements in a manner that makes them more easily comparable to the financial information of other businesses who do not use Italian GAAP.*

*The following section includes a discussion of our results of operational results and performance according to non-GAAP financial measures. Such non-GAAP measures are used by different companies for differing purposes and are often calculated in ways based on the circumstances of such companies. Caution should be exercised in comparing non-GAAP measures with those of other companies. The information presented under non-GAAP measures discussed herein is unaudited and has not been prepared in accordance with Italian GAAP or any other accounting standards. The non-GAAP financial measures discussed herein have limitations as analytical tools, and should not be considered in isolation.*

*Unless the context indicates otherwise, in this "Management's discussion and analysis of financial condition and results of operations," references to "we," "us" or the "Group" refer to: Twin Set – Simona Barbieri S.p.A. and its subsidiaries.*

### OVERVIEW

We are a fast growing women's clothing brand, focused on the affordable luxury segment of the women's apparel market. We sell a comprehensive range of quality products to customers through our retail and wholesale distribution channels. Our product range is comprised of high-quality, contemporary womenswear with on-trend designs that reflect a classic, romantic and contemporary attitude typically offered at affordable prices compared to traditional luxury brands. As a cornerstone of our business philosophy, we aim to offer women a "total look" of affordable luxury wardrobe options, so that sophisticated, fashion-conscious women can wear Twin Set from head to toe, for any occasion and at any time of the day. We offer our customers the features associated with a luxury brand, such as high-quality products, stylish stores and a personalized shopping experience with strong customer service, but at more affordable prices. We believe our value proposition appeals to both high-income customers seeking luxury products, as well as mass-market customers who can "trade up" at affordable prices.

Our primary target customers are women between 35 and 45 years old, but we also offer product lines for girls and young women. Our product lines include apparel and related categories such as shoes and handbags, creating a cohesive, contemporary look, with a focus on maintaining our brand identity as a style choice characterized by classic looks with timeless appeal. We believe that our strong Italian heritage gives us a competitive advantage in the pursuit of this classical aesthetic because it legitimizes Twin Set as a luxury brand that, unlike fast-fashion retailers, produces fashion-forward, contemporary products.

We have a total of ten product lines. Twin Set Main is our traditional product line. It has been in production since 2000 and features our iconic knitwear products and a comprehensive offering of traditional fashion staples. SCEE (pronounced "shee") is a line of traditional apparel products aimed at young adults. In addition, we offer the Girl product line for girls aged 6-16 and we have just launched the line catering for girls aged six years down to infants. The remaining five product lines are complementary to our main apparel lines and provide our customers with the Twin Set "total look": Bags/Accessories, Shoes, Le Coeur, Jeans and Beachwear/Lingerie. These additional product lines were added to our portfolio as awareness of our brand increased and customers began to look to Twin Set to satisfy all of their fashion needs.

Effective from April 1, 2014, we entered in a business combination to acquire a business line of Jamping S.r.l., a company operating in the production and sales of shoes. This transaction occurred through a contribution in kind by Jamping S.r.l. of such business line made to a new formed company named Twin Set Shoes S.r.l., of which we subsequently bought 80% for total consideration excluding acquisition costs of €1.17 million (of which €0.9 million was paid prior to June 30, 2014 and €0.3 million was paid in July 2014).

## Macroeconomic conditions and industry environment

Our operational results are affected by macroeconomic conditions in the markets in which we operate. Such conditions include, among others, levels of employment, inflation, wages growth and discretionary spending, VAT rates and consumer confidence.

According to the Italian National Statistics Institute ("ISTAT"), Italian economic activity in 2014 is expected to recover slower than expected at the beginning of the year. The main drivers for such evolution seem to be the high level of uncertainty and the tough credit conditions, which show only limited improvement. Global developments highlight a weakening of the mature economies and relative stability for the emerging economies. This situation, together with the geopolitical turmoil, creates further uncertainty, with potential impact on export level.

As a result of the slower economic recovery, the inflation rate in Italy is decreasing, reaching 0.3% versus June 2013. ISTAT reported that Retail sales in June were flat versus May and decreased by 2.6% year-over-year (-2.4% for food-products and -2.8% for non-food-products).

Consumer confidence, another key metric affecting the retail sector, recovered in the first half of 2014 compared with the same period in 2013; however, the upward trajectory experienced in the previous months is slowing down and in June consumer confidence declined versus May (at 105.7 from 106.2).

However, despite difficult trading conditions and financial distress of certain other apparel retailers as reported in the press, we have managed to grow our Italian revenue by 22.8% year-over-year through a combination of retail store and outlet openings, wholesale sales growth, online sales and improved like-for-like revenue performance of our existing retail points of sale.

## KEY PERFORMANCE INDICATORS

In assessing the performance of our business, we consider a variety of performance and financial measures. The key measures for determining how our business is performing are like-for-like revenue growth, Reported EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin. Such indicators are not recognized measurements of financial performance under Italian GAAP.

### Like-for-like revenue performance of our retail DOS and Outlets

We assess our revenue performance through monitoring the sales performance of our DOS on a like-for-like basis by comparing the results of all of our DOS that were open for at least one month and not substantially renovated in both periods. We also monitor the like-for-like revenue performance of outlets based on a similar methodology.

Many factors influence like-for-like sales, including fashion trends, competition, economic conditions, pricing, the timing of the release of new merchandise and promotional events, changes in our product mix, and weather conditions. Our ability to translate our fashion concepts into viable commercial production throughout the year, footfall in our point of sale locations, seasonality and VAT rates also impact like-for-like sales.

Although much of our revenue growth in recent years has come through the expansion of our retail store network, our revenue growth has also been positively affected by our ability to maintain good performance on a like-for-like basis with respect both to directly operated stores and outlets.

The table below sets forth our like-for-like revenue performance for the periods indicated.

Like-for-like revenue performance <sup>(1)</sup>	For the year ended December 31,			For the six months ended June 30,
	2011	2012 <sup>(2)</sup>	2013	2014
(% increase over prior period)				
<b>Total retail (DOS and outlets)</b> .....	<b>5.2%</b>	<b>6.5%</b>	<b>7.8%</b>	<b>8.7%</b>

<sup>(1)</sup> The criteria for determination applied by us might not be the same as the criteria adopted by other companies and, therefore, the figures presented by us might not be comparable with that determined by such other groups.

<sup>(2)</sup> As presented herein, the results of operations of Light Force for the year ended December 31, 2012 refer to the period ended December 30, 2012. Due to the effects of the Merger, the 2012 fiscal year of Light Force was one business day shorter than usual. Our retail revenue on this extra day that is not included in the results of operations of Light Force for the period ended December 30, 2012 was €74 thousand. See "Presentation of financial information".

Our total like-for-like revenue performance has steadily improved over the periods under review, by 8.7% for the six months ended June 30, 2014 compared to the six months ended June 30, 2013 and by 7.8%, 6.5% and 5.2% for the years 2013, 2012 and 2011, respectively. Our increased total like-for-like revenue performance was primarily driven by

increased brand awareness, the launch of new product lines and improving retail operations. Reported first half like-for-like would have been 9.1% excluding two retail point of sales that are being closed (Coin Milan and Coin Florence closed in July 2014).

### Reported EBITDA, Adjusted EBITDA and Adjusted EBITDA margin

We use Reported EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin as financial measures to measure operating performance. Reported EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are not uniformly or legally defined and are not recognized under Italian GAAP. Other companies in the fashion industry may calculate Reported EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin differently, and consequently our presentation of these figures is not readily comparable to other companies' figures and must be read in conjunction with the related additional explanations. The criteria for determining Reported EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin applied by us might not be the same as the criteria adopted by other companies and, therefore, the figures presented by us might not be comparable with those determined by such other groups.

We calculate Reported EBITDA as profit for the period plus income tax, extraordinary (income)/expenses, impairment of investments, financial (income)/expenses, depreciation and amortization, each as presented in our consolidated financial statements.

We calculate Adjusted EBITDA by taking our Reported EBITDA, then adding back certain non-recurring items including, raw materials, non-recurring accruals and other items.

We calculate Adjusted EBITDA Margin by dividing our Adjusted EBITDA by Twin Set Revenue for the relevant period.

Adjusted Margins vary according to the distribution channel through which we sell our merchandise. Our retail channel has been growing relative to our wholesale channel since 2011, although our wholesale channel remains the primary driver of our revenue, accounting for 74.6% and 81.8% of Twin Set Revenue for the first half ended of 2014 and 2013, respectively. Our wholesale channel is characterized by lower fixed costs than our retail channel and by variable selling commissions paid to our agents. Reported EBITDA margins are typically higher in our wholesale channel, due to the higher fixed costs necessary to operate retail stores.

As shown in the table below, our Adjusted EBITDA reached €14.1 million, 14.2% of Twin Set Revenue. The Adjusted EBITDA decreased by 18.2% compared to the same period in 2013 primarily due to a mix of factors including: price pressure in the Italian market, strong expansion of our retail distribution network (including 9 stores opened in the second half 2013, 8 stores opened in the first half 2014 and 10 stores to be opened in the third quarter 2014 and partially already incurring some rent and personnel cost in the period under review), accelerated spending for marketing activities in foreign geographies and for samples for new categories, the increasing proportion of central staff costs (admin and commercial) to support the business growth and especially the international retail expansion.

	For the six months ended	
	June 30,	
	2013	2014
	TS	TS
<b>Reported EBITDA</b> .....	<b>17,024</b>	<b>13,565</b>
Non-recurring accruals <sup>(1)</sup> .....	121	305
Other items <sup>(2)</sup> .....	53	206
<b>Adjusted EBITDA</b> .....	<b>17,198</b>	<b>14,076</b>
<i>Adjusted EBITDA Margin</i> <sup>(3)</sup> .....	<i>20.7%</i>	<i>14.2%</i>

<sup>(1)</sup> Both For the six months ended June 30, 2014 and June 30, 2013, relates mainly to provision for disputes with two former agents.

<sup>(2)</sup> Other items include bank service costs that, according to Italian GAAP, are classified into the cost of services line item rather than in interest (income)/expense, gain/loss on disposal of assets and other one off contingent liabilities.

<sup>(3)</sup> Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by Twin Set Revenue. The criteria for determining Adjusted EBITDA Margin applied by us might not be the same as the criteria adopted by other companies and, therefore, the figures presented by us might not be comparable with those determined by such other groups.

## **KEY INCOME STATEMENT ITEMS**

Below is a summary description of the key elements of the line items of our income statement under Italian GAAP.

Our income statements have been prepared using the “nature of expense” rather than the “cost of sales” method. In the nature of expense method, expenses are classified in the income statement according to their nature (for example, cost of materials and personnel expenses) and not among various departments within the entity. As a result, income statements presented in accordance with the nature of expense method do not show gross profit. Income statements presented in accordance with the cost of sales method, by contrast, classify expenses according to their function as part of the cost of sales (for example the costs of distribution or administrative activities). Net profit, however, is unaffected regardless of whether the nature of expense or cost of sales method is chosen.

### **Revenue**

Revenue is calculated by adding gross sales from customers minus discounts, rebates and customer returns. Revenue includes Twin Set Revenue and other revenue. Twin Set Revenue is revenue from our consolidated financial statements excluding other revenue arising from non-core businesses. Other revenue in 2013 and 2014 relates primarily to our sales of raw materials, not used for internal production, to third parties.

### **Purchase of raw materials, goods and changes in inventory; change in work in progress, semi-finished and finished product inventories**

Under Italian GAAP, “change in work in progress, semi-finished and finished product inventories” are recorded within a different line item than “purchase of raw materials, goods and changes in inventory”. To provide a better understanding of our product costs, for each period under review, we present a table showing “change in work in progress, semi-finished and finished product inventories” combined with “purchase of raw materials, goods and changes in inventory”. See also paragraphs related to “purchase of raw materials, goods and changes in inventory including change in work in progress, semi-finished and finished product inventories” included in the Results of Operations.

### **Cost of services**

Cost of services mainly include external works, agent commission, marketing and advertising, logistics and transport, insurance, administrative, travelling expenses and other services costs.

### **Rent**

Rent mainly includes rent expenses for directly operated stores and outlets, headquarters and showrooms.

### **Personnel costs**

Personnel costs mainly include wages and salaries, social security contribution and employee severance indemnities.

### **Depreciation and amortization**

Depreciation and amortization is calculated by adding amortization of intangible fixed assets (including goodwill), plus depreciation of tangible fixed assets. Under Italian GAAP, goodwill arising from the acquisition of a business is capitalized and amortized on a straight-line basis over the period of its estimated useful life (up to a maximum of 20 years). This differs significantly from the treatment under IFRS, where goodwill would not be amortized, but instead be reviewed for impairment annually.

### **Write-downs of trade receivables**

Write-downs of trade receivables includes write-downs of doubtful accounts receivable among current assets.

### **Provisions**

Provisions include provisions for risks.

## Operating profit

Operating profit is calculated as revenue plus other income and internally generated assets and change in work in progress, semi-finished and finished product inventories, less purchase of raw materials, goods and changes in inventory, cost of services, rents, personnel costs, depreciation and amortization, write-downs of trade receivables, provisions and other operating costs.

## Financial income/(expenses)

Financial income primarily includes interest income from bank accounts and deposits. Financial expense primarily includes interest on the shareholders' loan, bank borrowings and other financial expenses.

Exchange gains and/or losses mainly relate to the effects of exchange rate fluctuations on purchase and sales transactions.

## RESULTS OF OPERATIONS

### Six months ended June 30, 2014 of Twin Set compared to the six months ended June 30, 2013 of Twin Set

The following table sets forth the financial information of Twin Set for the six months ended June 30, 2014 compared to the financial information of Twin Set for the six months ended June 30, 2013.

	For the six months ended June 30,					
	2013	% of revenue	2014	% of revenue	change	percentage change
	TS (unaudited)		TS (unaudited)			
(thousands of €, except percentages)						
Revenue .....	83,254	100.0%	98,972	100.0%	15,718	18.9%
Other income and internally generated assets....	717	0.9%	1,260	1.3%	543	75.7%
Change in work in progress, semi-finished and finished product inventories .....	5,781	6.9%	3,227	3.3%	(2,554)	(44.2)%
Purchase of raw materials, goods and changes in inventory .....	(34,039)	(40.9)%	(38,375)	(38.8)%	4,336	12.7%
Cost of services .....	(26,622)	(32.0)%	(32,928)	(33.3)%	6,306	23.7%
Rent .....	(3,051)	(3.7)%	(5,422)	(5.5)%	2,371	77.7%
Personnel costs .....	(7,527)	(9.0)%	(11,456)	(11.6)%	3,929	52.2%
Depreciation and Amortization .....	(8,002)	(9.6)%	(9,795)	(9.9)%	1,793	22.4%
Write-downs of trade receivables .....	(900)	(1.1)%	(700)	(0.7)%	(200)	(22.2)%
Provisions .....	(50)	(0.1)%	(226)	(0.2)%	176	n.m.
Other operating costs .....	(539)	(0.6)%	(786)	(0.8)%	247	45.8%
<b>Operating profit.....</b>	<b>9,022</b>	<b>10.8%</b>	<b>3,771</b>	<b>3.8%</b>	<b>(5,251)</b>	<b>(58.2)%</b>
Financial income/(expenses) .....	(4,844)	(5.7)%	(5,825)	(5.9)%	981	20.3%
Impairment of investments .....	—	—	—	—	—	—
Extraordinary income/ (Expenses) .....	(463)	(0.6)%	(591)	(0.6)%	128	27.6%
<b>Profit/(loss) before tax .....</b>	<b>3,715</b>	<b>4.5%</b>	<b>(2,645)</b>	<b>(2.7)%</b>	<b>(6,360)</b>	<b>n.m.</b>
Income tax .....	(3,336)	(4.0)%	(1,463)	(1.5)%	(1,873)	(56.2)%
<b>Profit/(loss) for the period .....</b>	<b>379</b>	<b>0.5%</b>	<b>(4,108)</b>	<b>(4.2)%</b>	<b>(4,487)</b>	<b>n.m.</b>
Net profit attributable to:						
Owners of the Group .....	401	0.5%	(3,896)	(3.9)%	(4,297)	n.m.
Non-controlling interests .....	(22)	—	(212)	—	(190)	n.m.

	For the six months ended June 30,	
	2013	2014
	TS	TS
<b>Reported EBITDA<sup>(1)</sup> .....</b>	<b>17,024</b>	<b>13,565</b>
<b>Adjusted EBITDA<sup>(1)</sup> .....</b>	<b>17,198</b>	<b>14,076</b>

<sup>(1)</sup> See "—Reported EBITDA, Adjusted EBITDA and Adjusted EBITDA margin" for how we determine Reported EBITDA and Adjusted EBITDA.

**Revenue.** Revenue increased by €15.7 million, or 18.9%, to €99.0 million for the six months ended June 30, 2014 from €83.3 million for the six months ended June 30, 2013. This increase was primarily due to sales growth distributed across both our domestic and international markets, to the opening of new retail points of sales and like-for-like revenue growth.

The following table sets forth the breakdown of our revenue by distribution channel for the six months ended June 30, 2013 and 2014.

	For the six months ended June 30,		
	2013	2014	% change
	TS	TS	
	(thousands of €, except percentages)		
Wholesale .....	68,040	73,777	8.4%
Retail (including online) .....	15,128	25,105	66.0%
<b>Twin Set Revenue .....</b>	<b>83,168</b>	<b>98,882</b>	<b>18.9%</b>
Other revenue <sup>(1)</sup> .....	86	90	4.7%
<b>Revenue .....</b>	<b>83,254</b>	<b>98,972</b>	<b>18.9%</b>

<sup>(1)</sup> Other revenue in 2013 and 2014 relates primarily to sales of raw materials, not used for internal purposes, to third parties.

#### *Wholesale.*

We have maintained and expanded our strong wholesale distribution channel in Italy and internationally. This channel consists of apparel doors and specialty doors operated by third parties that sell our merchandise along with products from other retailers. Specialty doors are mixed retail apparel points of sale where specific product lines, such as Beachwear/Lingerie, Girl and Girl Shoes are sold.

Wholesale revenue increased by €5.7 million, or 8.4%, to €73.8 million for the six months ended June 30, 2014 from €68.0 million for the six months ended June 30, 2013. This increase was primarily due to increased sales in Italy, where wholesale revenue increased €5.2 million, from € 44.4 million for the first half 2013, to € 49.6 million for the comparable period in 2014. This growth in Italy was primarily due to growth generated by wholesale customers of our Beachwear/Lingerie, Girl, Jeans and Bags/Accessories product lines and the introduction of Girl Shoes.

#### *Retail (including online).*

Retail revenue increased by €10.0 million, or 66.0%, to €25.1 million for the six months ended June 30, 2014, from €15.1 million for the six months ended June 30, 2013. This increase was primarily attributable to the expansion of our retail network, particularly the full period effect of the 9 stores opened in second half of 2013 and the addition of 6<sup>(1)</sup> DOS and 1 outlet during the course of the first half of 2014. Like-for-like revenue performance for the first half 2014 as compared to the first half 2013 increased by 8.7%, driven primarily by sales from our stores in first-tier cities in Italy. Online channel sales also contributed to strong retail channel results. As a percentage of Twin Set Revenue, retail revenue increased by 7.2 percentage points to 25.4% for the six months ended June 30, 2014, from 18.2% for six months ended June 30, 2013.

The expansion of our retail points of sale network, and DOS in particular, implies higher fixed costs (mainly with respect to rent and personnel) and has also affected the amortization and depreciation charges in our consolidated income statement during the periods under review, as our larger store network has resulted in increased depreciation of tangible and intangible fixed assets.

<sup>(1)</sup> The relevant amounts are net of the store closings that occurred in the period (1 store in Bari)



The table below sets forth the retail points of sale for the periods and geographies presented.

Retail points of sale	For the six months ended June 30,			
	2013		2014	
	TS		TS	
	DOS	Outlet	DOS	Outlet
Italy .....	20	10	28	10
Outside of Italy .....	—	—	7	1
<b>Total retail point of sale .....</b>	<b>30</b>		<b>46</b>	

During the periods under review, our retail points of sale network expanded from 30 retail points of sale as of June 30, 2013 to 46 retail points of sale as of June 30, 2014 (35 DOS and 11 outlets). As described above, the increase in retail points of sale contributed to our revenue growth during the periods under review, but also increased our operating costs, particularly with respect to rent, cost of personnel and costs of services.

In the same period, and in line with our plan, we have expanded internationally with retail point of sales in Spain (2) France (3) and Belgium (3).

The table below sets forth the points of sale openings for the period.

Retail points of sale openings	For the six months ended June 30,			
	2013		2014	
	TS		TS	
	DOS	Outlet	DOS	Outlet
Italy .....	2	—	1 <sup>(1)</sup>	—
Outside of Italy .....	—	—	5	1
<b>Total retail point of sale openings .....</b>	<b>2</b>		<b>7</b>	

<sup>(1)</sup> The relevant amounts are net of the store closings that occurred in the period (1 store)

The table below sets forth retail channel revenue by sub-channel for the periods indicated.

Breakdown of retail revenue by sub-channel	For the six months ended June 30,	
	2013	2014
	TS	TS
	(unaudited)	(unaudited)
DOS.....	9,112	17,791
Outlet.....	4,613	5,604
Online.....	1,403	1,710
<b>Retail revenue .....</b>	<b>15,128</b>	<b>25,105</b>

During the periods under review, the growth of our retail channel revenue was driven primarily by the development of our DOS network which contributed €17.8 million in revenue for the six months ended June 30, 2014. We also invested in our outlet store network, which contributed €5.6 million in revenue for the first half 2014, compared to €4.6 million for the first half 2013. In addition, our online sub-channel contributed €1.7 million in revenue for first half 2014, compared to €1.4 million for the first half 2013, due to the expansion of our online sub-channel in additional countries, our increased online customer base and web-based marketing initiatives.

The following table sets forth the breakdown of our revenue by geography for the first half 2013 and 2014.

	For the six months ended June 30,		
	2013	2014	
	TS	TS	
	(unaudited)	(unaudited)	% change
	(thousands of €, except percentages)		
Italy.....	58,857	72,265	22.8%
Benelux.....	4,529	6,436	42.1%
Spain.....	3,447	3,949	14.6%
France.....	2,936	2,473	(15,8)%
Russia.....	2,590	2,879	11,2%
Germany.....	2,585	2,318	(10.3)%
Other countries.....	8,224	8,562	4.1%
<b>Twin Set Revenue.....</b>	<b>83,168</b>	<b>98,882</b>	<b>18.9%</b>
Other revenue <sup>(1)</sup> .....	86	90	4.7%
<b>Revenue.....</b>	<b>83,254</b>	<b>98,972</b>	<b>18.9%</b>

<sup>(1)</sup> Other revenue in 2013 and 2014 relates primarily to sales of raw materials, not used for internal purposes, to third parties.

#### Italy.

Revenue generated in Italy increased by €13.4 million, or 22.8%, to €72.3 million for the six months ended June 30, 2014, from €58.9 million for the six months ended June 30, 2013. This increase was due to both the Wholesale and the Retail channels, with the Retail channel contributing 60% of the growth thanks to the network expansion (we added 8 DOS in the first six months of 2014) and to a strong like-for-like revenue growth.

#### International.

Compared to the six months ended June 30, 2013 revenue generated outside of Italy increased by 9%.

This result is partially due to the retail international expansion (Benelux 3 stores, Spain 2 stores and France 3 stores – all opened between July 2013 and June 2014) contributing to growth together with increasing penetration of our new lines in the wholesale channel.

Sales in Germany and France declined due to the current distribution network reorganization and the changed product distribution strategy (discontinued promotion of our SCEE collection).

The table below sets forth our revenue by product line.

Breakdown of revenues by product line	For the six months ended June 30,		
	2013	2014	% change
	TS (unaudited)	TS (unaudited)	
TS Main.....	43,815	46,845	6.9%
Beachwear/Lingerie.....	10,030	12,305	22.7%
Girl.....	5,089	8,504	67.1%
Jeans.....	4,456	7,974	78.9%
Accessories/Bags.....	5,243	7,659	46.1%
Shoes.....	6,113	5,586	(8.6)%
Le Coeur.....	2,593	4,028	55.3%
Scee.....	5,477	5,039	(8.0)%
Other.....	352	942	n.m.
<b>Twin-Set Revenue</b> .....	<b>83,168</b>	<b>98,882</b>	<b>18.9%</b>
Other revenues <sup>(1)</sup> .....	86	90	4.7%
<b>Revenue</b> .....	<b>83,254</b>	<b>98,972</b>	<b>18.9%</b>

Our product line portfolio, which is the basis of the “total look” strategy, has showed significant growth for certain lines, Beachwear/lingerie, Girl and Jeans, which have benefitted from both wholesale and retail growth, while Scee and Shoes have declined for differing reasons: Scee mainly for discontinued promotion in the international market; Shoes for new organization fine tuning after the Jumping Srl acquisition.

**Purchase of raw materials, goods and changes in inventory including change in work in progress, semi-finished and finished product inventories.** Purchase of raw materials, goods and changes in inventory including change in work in progress, semi-finished and finished product inventories increased by €6.9 million, or 24.4%, to €35.1 million for the six months ended June 30, 2014 from €28.3 million for the first half 2013. As a percentage of revenue, this line item increased slightly by 1.6 percentage points, to 35.5% in the first half 2014, from 33.9% in the six months ended June 30, 2013. This increase was primarily due to a change in the mix of product lines sold.

	For the six months ended June 30,		
	2013	2014	% change
	(thousands of €, except percentages)		
Raw materials, supplementary materials, consumables and goods.....	33,681	38,097	13.1%
Change in raw materials, supplementary materials, consumables and goods.....	358	278	(22.6)%
<b>Purchase of raw materials, goods and changes in inventory .....</b>	<b>34,039</b>	<b>38,375</b>	<b>12.7%</b>
Change in work in progress, semi-finished and finished product inventories .....	(5,781)	(3,227)	(44.2)%
<b>Purchase of raw materials, goods and changes in inventory, including change in work in progress, semi-finished and finished product inventories.....</b>	<b>28,258</b>	<b>35,148</b>	<b>24.4%</b>
<b>% of revenue .....</b>	<b>33.9%</b>	<b>35.5%</b>	<b>1.6%</b>

**Cost of services.** Cost of services increased by €6.3 million, or 23.7%, to €32.9 million for the first half 2014, from €26.6 million for the first half 2013. As a percentage of revenue, cost of services increased by 1.3 percentage points, to 33.3% for the first half 2014 from 32.0% for the first half 2013, primarily due to the increased proportion of retail channel revenue for the period.

The table below sets forth the breakdown of costs of services for the six months ended June 30, 2013 and 2014.

	For the six months ended June 30,		
	2013	2014	% change
	TS (unaudited)	TS (unaudited)	
	(thousands of €, except percentages)		
Agent commissions .....	5,224	6,179	18.3%
Marketing and advertising .....	5,381	6,894	28.1%
External works.....	7,470	7,725	3.4%
Logistics and transport .....	4,067	5,567	36.9%
Administrative .....	1,495	1,994	33.3%
Travelling expenses .....	384	768	100.0%
Insurance .....	528	596	12.9%
Other service costs.....	2,073	3,205	54.6%
<b>Total costs of services .....</b>	<b>26,622</b>	<b>32,928</b>	<b>23.7%</b>

The 23.7% increase in costs of services for the six months ended June 30, 2014 was primarily attributable to an increase in agent commissions, Marketing and Advertising and logistic and transport expenses of 18.3%, 28.1% and 36.9%, respectively. Agent commissions increase more than sales in the wholesale channel due to higher commission paid to the agents on the new product lines. Marketing & advertising expenses rose due both to the launch of new collections and to store openings in new countries such as Spain, Germany and France which required higher advertising and marketing investment in order to improve the Twin Set brand awareness in those countries. Logistics and transport costs increased by 36.9% from the first half 2013 to the first half 2014 to €1.5 million, primarily due to the volume increase and to the international retail operation set-up. Administrative expenses increased due to the setting up of central administrative functions to support future growth revenue and especially for the international retail expansion. Finally, Travel and administrative costs also increased due to our international expansion over the periods presented.

**Rent.** Rent increased by €2.4 million, or 77.7%, to €5.4 million for the first half 2014 from €3.1 million for the first half 2013. The increase in rent for the first half 2014 was primarily due to the opening of 16 new DOS and outlet in the past 12 months (net of one store closing that occurred in the period under review). The amount is also affected by the rent of stores to be opened after June but already bearing rent costs in the period under review.

The table below sets forth the breakdown of rent for the six months ended June 30, 2013 and 2014.

	For the six months ended June 30,		
	2013	2014	
	TS	TS	% change
	(unaudited)	(unaudited)	
	(thousands of €, except percentages)		
Rent expenses for shop, outlet and showrooms .....	2,515	4,804	91.0%
Rent expenses for headquarters .....	394	424	7.6%
Other rent expenses .....	142	194	36.6%
<b>Total rent.....</b>	<b>3,051</b>	<b>5,422</b>	<b>77.7%</b>

**Personnel costs.** Personnel costs increased by €3.9 million, or 52.2%, to €11.5 million for the first half, 2014 from €7.5 million for the first half 2013. As a percentage of revenue, personnel costs increased by 2.6 percentage points to 11.6% for the six months June 30, 2014 from 9.0% for the six months ended June 30, 2013, primarily due to the increase in our number of DOS over the periods, which required additional retail employees and additional support from headquarters to handle increased business volume.

The table below sets forth the breakdown of personnel costs for the six months ended June 30, 2013 and 2014.

	For the six months ended June 30,		
	2013	2014	
	TS	TS	
	(unaudited)	(unaudited)	% change
	(thousands of €, except percentages)		
Wages and salaries .....	5,526	8,435	52.6%
Social security contribution .....	1,642	2,475	50.8%
Employee severance indemnities.....	359	545	51.8%
Other costs .....	0	1	100%
<b>Total personnel costs .....</b>	<b>7,527</b>	<b>11,456</b>	<b>52.2%</b>

**Depreciation and amortization.** Depreciation and amortization increased by €1.8 million to €9.8 million for first half 2014 from €8.0 million for the first half 2013. The increase in amortization and depreciation of €1.8 million for the first half 2014 was primarily due to the effect of key money and goodwill amortization related to the new store openings.

The table below sets forth the breakdown of depreciation and amortization for the six months ended June 30, 2013 and 2014.

	For the six months ended June 30,		
	2013	2014	
	TS	TS	
	(unaudited)	(unaudited)	% change
	(thousands of €, except percentages)		
Amortization of intangible fixed assets .....	7,400	8,863	19.8%
Depreciation of tangible fixed assets .....	602	932	54.8%
<b>Total amortization and depreciation .....</b>	<b>8,002</b>	<b>9,795</b>	<b>22.4%</b>

**Other operating costs.** Other operating costs increased by € 0.3 million, to €0.8 million for the first half 2014 from €0.5 million for the first half 2013.

**Operating profit.** Operating profit decreased by €5.2 million, or 58.2%, to €3.8 million for the first half 2014 from €9.0 million for the first half 2013. As a percentage of revenue, operating profit decreased by 7.0 percentage points to 3.8% for the first half 2014 from 10.8% for the first half 2013.

**Financial income/(expenses).** Financial expenses increased by €1.0 million to €5.8 million for the first half 2014 from €4.8 million for the first half 2013. The increase was primarily due to the combined effect of the increase in interest expenses due to an increase in bank loans and exchange rate losses related to purchases of goods in U.S. dollars mainly from China and Southeast Asia.

The table below sets forth the breakdown of financial expenses for the six months ended June 30, 2013 and 2014.

	For the six months ended June 30,		
	2013	2014	
	TS	TS	
	(unaudited)	(unaudited)	% change
	(thousands of €, except percentages)		
Other financial income .....	117	19	(83.8)%
Interest and other financial expenses .....	(5,169)	(5,565)	7.7%
Foreign exchange gains/(losses) .....	208	(279)	n.m.
<b>Total financial income/(expenses) .....</b>	<b>(4,844)</b>	<b>(5,825)</b>	<b>20.3%</b>

**Income tax.** Income tax decreased by €1.9 million to €1.4 million for the first half 2014 from €3.3 million for the first half 2013 resulting in an effective tax rate more than 100% for the six months ended June 30, 2014. This is mainly due to both the fact that the amortization of goodwill is not tax deductible and IRAP (Euro 0.9 million as at June 30, 2014).

**Result for the period.** The loss for the period is €4.1 million for the six months ended June 30, 2014 compared to a profit of €0.4 million for the six months ended June 30, 2013 due to the factors described above.

## LIQUIDITY AND CAPITAL RESOURCES

Our cash requirements consist mainly of the following:

- operating activities, including our net working capital requirements;
- servicing our debt and that of our subsidiaries;
- funding capital expenditures, particularly the opening of new retail locations; and
- paying taxes.

Our sources of liquidity have historically consisted mainly of the following:

- cash generated from our operating activities;
- uncommitted bilateral credit lines, invoice discounting and reverse factoring; and
- borrowings under our Term Loan A, Capital Expenditure Line (both of which were repaid in July 2014 with the proceeds of the issuance of the €150 million Senior Secured Floating Rate Notes, the “Notes”) and loans from shareholders.

As of June 30, 2014, our net financial indebtedness amounted to €72.1 million compared to €61.4 million as of December 31, 2013. At June 30, 2014, we had cash and cash equivalents of €8.2 million as compared to €14.3 million at December 31, 2013.

After giving effect to the issuance of the notes and the use of proceeds thereof, our net financial indebtedness as of June 30, 2014 would have been €119.9 million.

## CASH FLOW

The table below summarizes the consolidated cash flow of Twin Set for the periods indicated.

	As of and for the six months ended June 30,	
	2013	2014
	TS (unaudited)	TS (unaudited)
<b>Total net cash at the beginning of the period<sup>(1)</sup></b>	<b>12,056</b>	<b>13,708</b>
Cash flow provided by/(used in) operating activities.....	2,941	6,725
Cash flow (used in) investing activities.....	(7,333)	(17,819)
Cash flow provided by/(used in) financing activities.....	4,922	2,522
<b>Cash flow from the period.....</b>	<b>530</b>	<b>(8,572)</b>
<b>Total net cash at the end of the period<sup>(1)</sup> .....</b>	<b>12,586</b>	<b>5,136</b>

<sup>(1)</sup> Includes cash and cash equivalents net of bank overdrafts.

Cash flow used for the six months ended June 30, 2014 was €8.6 million compared to €0.5 million for the six months ended June 30, 2013 and mainly related to capital expenditures for new DOS as part of our retail channel expansion strategy. Cash flow used in investing activities was €17.8 million partially financed by Cash flow provided by operating activities for €6.7 million.

Improvement of the Cash flow provided by operating activities was driven by a significant decrease of the net working capital compared to the previous year due to an improvement in the supply chain management.

Cash flow provided by financing activities was €2.5 million for the six months ended June 30, 2014 compare to €4.9 million ended June 30, 2013. Cash flow generated by financing activities was mainly related to the financial resources provided by banks in order to finance capital expenditures through the drawing down of €7.0 million under our Capital Expenditure Line partially offset by the repayments of the installment of the Term Loan and other minor bank loans.

## CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the periods indicated:

	For the year ended December 31	For the six months ended June 30,
	2013	2014
	TS	TS
Expansion .....	20,513	13,166
Maintenance.....	3,371	1,037
One-off.....	2,470	2,006
<b>Total operating capital expenditures.....</b>	<b>26,354</b>	<b>16,209</b>
Acquisition-related.....	—	1,610
<b>Total capital expenditures.....</b>	<b>26,354</b>	<b>17,819</b>

Over the periods under review, the Group's capital expenditure was divided into the following categories:

- **Expansion:** includes key money and goodwill paid for the new stores opened in the context of securing prime real estate property and expenditures related to the outfitting of new stores. During the periods under review, 7<sup>(1)</sup> new DOS and outlets were opened, both in Italy and abroad.

- **Maintenance:** mainly includes renewal/refurbishment of existing retail stores and recurring items.
- **One-off:** includes mainly project-related IT investments.
- **Acquisition:** for 2014 the acquisition related TS Shoes.

(1) The relevant amounts are net of the store closings that occurred in the period (one store ).

## OPERATING WORKING CAPITAL

The following table sets forth our operating working capital for the periods indicated:

	As of and year ended December 31,	As of and for the six months ended June 30,
	2013	2014
	TS	TS
	(thousands of €)	
Inventory .....	53,629	56,401
Trade Receivables .....	44,499	47,722
Trade Payables .....	(51,320)	(52,653)
<b>Operating Working Capital<sup>(1)</sup></b> .....	<b>46,808</b>	<b>51,470</b>

(1) Operating Working Capital is calculated as the sum of inventory, trade receivables less trade payables. The criteria for determining Operating Working Capital applied by us might not be the same as the criteria adopted by other companies and, therefore, the figures presented by us might not be comparable with those determined by such other groups.

Operating working capital typically follows seasonal sales trends in our industry. Our investment in inventory generally peaks in December and June on the launch of our spring/summer collections and fall/winter collections, respectively, due to ordering patterns from our suppliers.

Operating working capital as of June 2014 was €51.5 million, increasing €4.7 million on December 31, 2013. During the periods under review, operating working capital increased in line with the expansion of our business activities.

## NET FINANCIAL INDEBTEDNESS

The following table sets forth our net financial indebtedness as of December 31, 2013 and as of June 30, 2014.

	As of December 31,	As of June 30,
	2013	2014
	TS	TS
Cash and cash equivalents .....	14,290	8,188
Bank overdrafts .....	(582)	(3,052)
<b>Total net cash</b> .....	<b>13,708</b>	<b>5,136</b>
Bank loans—current portion <sup>(1)</sup> .....	10,145	10,107
Bank loans—non-current portion .....	65,009	67,164
<b>Bank loans</b> .....	<b>75,154</b>	<b>77,271</b>
<b>Net financial indebtedness<sup>(2)</sup></b> .....	<b>61,446</b>	<b>72,135</b>
<i>of which:</i>		
<i>Net financial indebtedness—current portion</i> .....	<i>(3,563)</i>	<i>4,971</i>
<i>Net financial indebtedness—non-current portion</i> .....	<i>65,009</i>	<i>67,164</i>

(1) Bank loans—current portion include accrued expenses relating to interests, commissions on bank loans and fair value of derivatives financial instruments.

(2) Net financial indebtedness is calculated as total net financial debt excluding amounts due under the Shareholders' Loan. The criteria for determining net financial indebtedness applied by us might not be the same as the criteria adopted by other companies and, therefore, the figures presented by us might not be comparable with those determined by such other groups. See "Presentation of financial information—Non-GAAP financial measures". Net financial indebtedness does not include indebtedness related to the Subordinated Shareholder Loan, equal to €79.9 million as of June 30, 2014.

Net financial indebtedness increased by €10.7million to €72.1 million as of June 30, 2014, from €61.4 million as of December 31, 2013. This increase is mainly related to the capital expenditures necessary for the expansion of our retail channel. The increase of the noncurrent portion of net financial indebtedness is related to the withdrawal of the Capex line financing net of the repayment of the instalment of the Term Loan provided by banks.

## CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following table summarizes the commitments and payments outstanding at June 30, 2014, on an as-adjusted basis after giving effect to the issuance of the Notes in July 2014 and the use of proceeds thereof. The information presented in the table below reflects management's estimates of the contractual maturities of our obligations related to rent and operating leases for DOS/Outlets, Showrooms and other buildings. These maturities may differ significantly from the actual maturity of these obligations.

	Expected cash payments falling due in the year(s) ending December 31,			
	2014	2015-2018	2019 and thereafter	Total
Notes offered hereby .....	—	—	150	150
Rent and operating leases commitments for DOS and Outlets <sup>(1)</sup> .....	6.2	51.0	29,6	86.8
Rent and operating leases commitments for Showroom <sup>(1)</sup> .....	0.2	0.7	—	0.9
Rent and operating leases commitments for Civil and Industrial Buildings <sup>(1)</sup> .....	0.5	3.4	0.5	4.3
Rent and operating leases commitments related to Tessitura Sidoti and TS Shoes <sup>(1)</sup> .....	0.1	0.9	—	1.0
<b>Total</b> .....	<b>7.0</b>	<b>56.0</b>	<b>180.1</b>	<b>243</b>

<sup>(1)</sup> Future rental and operating lease commitments do not include inflation rate adjustments, variable rent and any renewal options.

## OFF-BALANCE SHEET ARRANGEMENTS

The following table summarizes the commitments related to guarantees provided by credit institutions on behalf of the group in connection with contractual obligations undertaken on the signing of rental contracts, as well as other commitments deriving from USD forward purchase contracts for hedging derivatives.

	As of December 31, 2013	As of June 30, 2014
	(€ in millions)	
DOS and Outlet rental guarantees .....	3.4	5.9
Derivatives .....	0.7	0.3
<b>Total</b> .....	<b>4.1</b>	<b>6.2</b>

## QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to various market risks in the normal course of business, particularly market risks related to: (i) exchange rates, (ii) exposure to credit risk of wholesale counterparties, (iii) liquidity and (iv) interest rates.

Due to the nature of our operations, we are exposed to the risk of fluctuations in exchange rates of currencies in which the transactions are denominated. Our major foreign exchange exposure relates to transactions in U.S. dollars, specifically related to our procurement activities in China and Southeast Asia. As of June 30, 2014, on an overall level of commercial payables of €52.7 million, 19.9% (corresponding to €10.5 million) related to purchases in U.S. dollars. Our policy is to engage in derivative transactions in order to mitigate exchange rate risks. As of June 30, 2014 Exchange rate hedging operations amounted to \$21.5 million, for a total value of €16.4 million and comprise flexible forward operations.

### Credit risk

We are exposed to potential losses resulting from a default by commercial counterparties, especially with respect to our wholesale channel which represented 74.6% of our Twin Set Revenue for the six months ended June 30, 2014. This risk is however mitigated by the low concentration of clients and our internal selection procedures, which limits the risk that sales in our wholesale channel are made to non-solvent clients. As a general guideline, we obtain insurance for sales to



clients in the European Union, whereas for sales to non-EU clients, advanced payments or guarantees are obtained. These procedures have contributed to containing doubtful debts (write-downs of trade receivables), which at June 30, 2014 are 0.7% of revenue.

Sales to retail customers in our retail and online channels are made in cash or through third-party credit cards and debit cards or, with respect to online sales, PayPal services.

Trade receivable balances are monitored on a continuous basis, and our exposure to bad debt has not been significant for the periods under review. We make appropriate allowances for doubtful accounts. Our trade receivables have historically not been concentrated with any individual counterparty.

With respect to financial institutions and our cash deposits, we favor well-established institutions with high credit ratings with whom we have maintained long-term banking relationships.

### **Liquidity risk**

We maintain cash and cash equivalents to fund the day-to-day requirements of our business. We hold cash primarily in euro. Historically, we have relied primarily upon cash flows from operations as supplemented by draw down under our Capital Expenditure Line to provide the funds required for capital expenditures and operations, and we rely on letters of credit granted by financial institutions to facilitate raw material sourcing and the undertaking of manufacturing contracts.

We manage our liquidity risk by monitoring our operational current assets, in particular our trade receivables and trade payables. We have historically focused on generating sufficient cash flow to fund necessary payables such as payments to suppliers, without disrupting our short-term treasury balance and avoiding critical liquidity issues. Our sourcing strategy is carried out in a flexible manner using a delivery dates that vary based on the product so as to avoid concentrating, insofar as possible, trade payables during any particular period.

### **Interest rate risk**

We are subject to interest rate risks related to interest payments that are linked to EURIBOR. We engage in derivative transactions in order to mitigate interest rate risks. As of June 30, 2014 the fair value of our Interest Rate Swaps amounted to €40.1 million

## **SUBSEQUENT EVENTS**

Effective from July 9, 2014, Twin Set – Simona Barbieri, the Parent Company, changed its legal form from *società a responsabilità limitata* (S.r.l.) to *società per azioni* (S.p.A.). This change was in preparation for the issuance of Notes (as described below).

On July 22, 2014, Twin Set – Simona Barbieri (The Parent Company) issued an aggregate principal amount of floating rate notes (the “Notes”) of €150.0 million.

The gross proceeds from the offering of the Notes were equal to €148.5 million. The Notes will mature on July 15, 2019. Interest on notes will accrue at a rate per annum, reset quarterly, equal to EURIBOR plus 5.875%, as determined by the calculation agent (The Bank of New York Mellon, London branch).

The proceeds of the offering of the Notes were used by the Group to as follow: €77.5 million to repay outstanding amounts under certain credit facilities, €12.2 million to partially repay the Shareholder Loan, €27.8 million to pay a distribution to our shareholders and, the remaining, for general corporate expansions purposes and transaction costs (approx. €6 million).

## **OUTLOOK**

The Company will continue to focus on retail expansion abroad, on strengthening the existing product lines and to continue to adjust the organization to face the larger business footprint, while increasing attention to costs management in order to ensure a balanced growth.



# TWIN – SET

SIMONA BARBIERI

## **TWIN SET –SIMONA BARBIERI S.p.A.**

Interim Consolidated Financial Statements  
as of and for the six months ended June  
30,2014



# INTERIM CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2014

In Euro	Notes	As of June 30, 2014	As of December 31, 2013
<b>Assets</b>			
Intangible assets	5	260,548,341	255,469,200
<i>of which goodwill</i>	5	200,833,099	204,660,110
Property, plant and equipment	6	10,178,729	7,339,267
Other financial assets	7	389,241	90,931
<b>Total intangible assets, PP&amp;E and other financial assets</b>		<b>271,116,311</b>	<b>262,899,398</b>
Inventories	8	56,400,786	53,629,117
Trade receivables	9	47,721,570	44,499,345
Tax receivables	9	3,635,291	4,782,464
Deferred tax assets	9	4,527,750	2,962,094
Other receivables	9	2,115,106	1,873,681
Cash and cash equivalents	10	8,188,700	14,290,478
<b>Total current assets</b>		<b>122,589,203</b>	<b>122,037,179</b>
Accrued income and prepaid expenses	11	982,958	667,057
<b>Total assets</b>		<b>394,688,472</b>	<b>385,603,634</b>
<b>Liabilities and Shareholders' equity</b>			
<b>Shareholders' equity</b>			
Share capital	12	522,400	522,400
Reserves	12	160,424,236	160,195,262
Retained earnings	12	946,985	(2,090,010)
Profit/(loss) for the period	12	(3,895,728)	3,359,793
<b>Total Group Shareholders' equity</b>		<b>157,997,893</b>	<b>161,987,445</b>
Equity attributable to non-controlling interests	12	227,366	14,723
<b>Total Shareholders' equity</b>		<b>158,225,259</b>	<b>162,002,168</b>
<b>Liabilities</b>			
Provisions for risks and charges	13	4,133,856	4,912,452
Deferred tax liabilities	22	8,003,191	8,218,127
Provisions for employee severance indemnities	14	663,546	474,643
Shareholder loan	15	79,924,277	77,285,818
Bank loans	15	79,898,747	74,907,050
Client advances	15	997,624	1,420,447
Trade payables	15	52,653,431	51,319,631
Tax payables	15	4,031,394	939,937
Social security payables	15	830,727	878,805
Other payables	15	5,132,379	2,977,851
Accrued expenses and deferred income	16	194,041	266,705
<b>Total liabilities</b>		<b>236,463,213</b>	<b>223,601,466</b>
<b>Total liabilities and shareholders' equity</b>		<b>394,688,472</b>	<b>385,603,634</b>
<b>Memorandum accounts</b>			
Guarantees	17	5,929,767	3,393,363
Other memorandum accounts	17	19,816,819	17,500,281
<b>Total memorandum accounts</b>		<b>25,746,586</b>	<b>20,893,644</b>

**INTERIM CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014**

In Euro	Notes	Six months ended June 30, 2014	Six months ended June 30, 2013
<b>Interim Consolidated Income Statement</b>			
Revenue	18	98,971,996	83,253,800
Other income and internally generated assets	18	1,259,508	716,585
Change in work in progress, semifinished and finished product inventories	18	3,227,273	5,780,671
<b>Total revenue and income</b>		<b>103,458,777</b>	<b>89,751,056</b>
Purchase of raw materials, goods and changes in inventory	19	38,374,917	34,038,765
Cost of services	19	32,928,587	26,621,515
Rent	19	5,422,286	3,050,638
Personnel costs	19	11,456,133	7,527,474
Depreciation and Amortization	19	9,794,791	8,002,410
Write-downs of trade receivables	19	700,000	900,000
Provisions	19	225,843	50,000
Other operating costs	19	785,698	538,744
<b>Total operating costs</b>		<b>99,688,255</b>	<b>80,729,546</b>
<b>Operating profit</b>		<b>3,770,522</b>	<b>9,021,510</b>
Financial income/(expenses)	20	(5,824,646)	(4,843,498)
Impairment of investments		-	-
Extraordinary income/(expenses)	21	(591,237)	(463,066)
<b>Profit/(loss) before tax</b>		<b>(2,645,361)</b>	<b>3,714,946</b>
Income tax	22	(1,462,579)	(3,335,629)
<b>Profit/(loss) for the period</b>		<b>(4,107,940)</b>	<b>379,317</b>
<i>Attributable to non-controlling interests</i>		<i>(212,212)</i>	<i>(22,062)</i>
<i>Attributable to the Group</i>		<i>(3,895,728)</i>	<i>401,379</i>

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE SIX MONTHS ENDED JUNE 30, 2014**

**Note 12 – SHAREHOLDERS' EQUITY**

In Euro	Share capital	Share premium reserve	Legal Reserve	Foreign exchange gains reserve	Translation Reserve	Retained earnings	Profit/(loss) for the period/year	Total
<b>As of December 31, 2013</b>	<b>522,400</b>	<b>160,195,262</b>			-	<b>(2,090,010)</b>	<b>3,359,793</b>	<b>161,987,445</b>
Allocation of previous year profit			104,480	95,055		3,160,258	(3,359,793)	0
Profit/loss for the period							(3,895,728)	(3,895,728)
Change in consolidation area						(123,263)		(123,263)
Change in translation reserve					29,439			29,439
<b>As of June 30, 2014</b>	<b>522,400</b>	<b>160,195,262</b>	<b>104,480</b>	<b>95,055</b>	<b>29,439</b>	<b>946,985</b>	<b>(3,895,728)</b>	<b>157,997,893</b>
<b>Total Group Shareholders' equity</b>								<b>157,997,893</b>
- Capital and reserves attributable to non-controlling interests								439,578
- Loss for the period attributable to non-controlling interests								(212,212)
<b>Total equity attributable to non-controlling interests</b>								<b>227,366</b>
<b>Total Shareholders' equity</b>								<b>158,225,259</b>

**INTERIM CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED JUNE 30, 2014**

In Euro		Six months ended June 30, 2014	Six months ended June 30, 2013
<b>A</b>	<b>NET CASH AT THE BEGINNING OF THE PERIOD*</b>	<b>13.707.735</b>	<b>12.056.319</b>
	<b>Net cash flow from operating activities</b>		
	Profit for the period	(4.107.940)	379.317
	Amortization	8.862.401	7.400.185
	Depreciation	932.390	602.225
	Interest on Shareholder loan capitalized	2.638.459	2.463.611
	Losses on disposal	30.371	66.656
	Profit on disposal	-	(605)
	Change in deferred tax assets and liabilities	(1.780.592)	1.188.011
	Change in provisions for risks and charges	(778.596)	195.950
	Change in employee severance indemnities	12.959	163
	<b>Cash flow from operating activities before changes in net working capital</b>	<b>5.809.452</b>	<b>12.295.513</b>
	Changes in inventories	(2.749.847)	(5.422.669)
	Changes in trade receivables	(3.200.403)	(11.589.058)
	Changes in trade and other payables	5.756.253	5.392.276
	Net change in other working capital items	589.847	2.265.069
	<b>Change in net working capital</b>	<b>395.850</b>	<b>(9.354.382)</b>
<b>B</b>	<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>6.205.302</b>	<b>2.941.131</b>
	<b>Net cash flow from investing activities</b>		
	Investments in intangible assets	(12.335.866)	(6.079.015)
	Investments in property, plant and equipment	(3.819.944)	(1.214.087)
	Disposals of property, plant and equipment	75.343	15.409
	Consideration paid for business combination	(920.000)	(55.785)
	Investments in other financial assets	(298.310)	-
<b>C</b>	<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(17.298.777)</b>	<b>(7.333.478)</b>
	<b>Net cash flow from financing activities</b>		
	Repayment of loans	(4.478.603)	(2.096.053)
	Bank loans received	7.000.000	-
	Share premium	-	6.995.262
	Share capital increase	-	22.400
<b>D</b>	<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>2.521.397</b>	<b>4.921.609</b>
<b>E</b>	<b>NET CASH FLOW FOR THE PERIOD (B+C+D)</b>	<b>(8.572.078)</b>	<b>529.262</b>
<b>F</b>	<b>NET CASH AT THE END OF THE PERIOD* (A+E)</b>	<b>5.135.657</b>	<b>12.585.581</b>

\* Net cash includes cash and cash equivalents, net of bank overdrafts.



# TWIN – SET

SIMONA BARBIERI

## **TWIN SET – SIMONA BARBIERI S.p.A.**

Explanatory Notes  
to the Interim Consolidated Financial Statements  
as of and for the six months ended  
June 30, 2014

## **Note 1 - GENERAL INFORMATION**

TWIN-SET – Simona Barbieri (the “Parent Company”) and its subsidiaries Tessitura Sidoti, TS Shoes, TS Deutschland, TS Belgium, TS Spain, TS France, TS Dutch Holding and TS East (together with the Parent Company, the “Group”) operate in the apparel market; in particular the Group designs and produces clothing, accessories and women’s knitwear, marketed under the brands “TWIN-SET Simona Barbieri” and “SCEE by TWIN- SET”.

By deed of Notary Dr. Carlo Marchetti – MILAN on July 7, 2014 - the Parent Company changed its legal form from società a responsabilità limitata (S.r.l.) to società per azioni (S.p.A.).

These Interim Consolidated Financial Statement as of and for the six months ended June 30, 2014 report a loss for the period of Euro (4,107,940), after Depreciation and Amortization of Euro 9,794,791, write-downs of trade receivables of Euro 700,000, net financial expenses of Euro 5,824,646 and income taxes of Euro 1,462,579, in relation to which reference should be made to the comments of the present document.

## **Note 2 - BASIS OF PRESENTATION**

These special purposes Interim Consolidated Financial Statements (the “Interim Consolidated Financial Statements”) have been prepared to comply with certain reporting obligation required by the offering memorandum and regulation of the Senior Secured Floating Rates Notes due 2019 issue by the Company on 22<sup>nd</sup> July 2014 as described in Note 24.

The Interim Consolidated Financial Statements include the interim consolidated balance sheet, the interim consolidated income statement, the interim consolidated statement of changes in shareholders’ equity, the interim consolidated cash flow statement and the explanatory notes and have been prepared in accordance with Legislative Decree No. 127/1991, pursuant to Italian legal and statutory requirements, set forth by the Italian Civil Code, governing the preparation of financial statement, as interpreted and supplemented by the accounting standards of the Italian Accountants Profession Board (Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili), revised by the Italian Accounting Organization (Organismo Italiano di Contabilità, O.I.C.) and in accordance with OIC 30 - Interim Financial Reporting. OIC 30 permits a significantly reduced disclosure for interim financial statements compared to the annual financial statements prepared in accordance with the accounting principles established by the “Organismo Italiano di Contabilità” (O.I.C.) and therefore should be read in conjunction with the consolidated financial statements of TWIN SET – Simona Barbieri S.r.l. as of and for the year ended December 31, 2013. Such rules are collectively referred to as Italian Generally Accepted Accounting Principles (“Italian GAAP”).

The items reported in the Interim Consolidated Financial Statements have been stated in accordance with the general principles of prudence and accruals and on an appropriate going concern basis, which covers at least twelve months from the Interim Consolidated Financial Statements date and considering the economic function of the assets and liabilities; account is also taken of risks and losses for the period, even if known after the end of the period.

The Interim Consolidated Financial Statements were prepared in units of Euro (the functional currency of the Parent Company and all its subsidiaries), without decimal amount.

### Comparative consolidated financial statements

The interim consolidated balance sheet presents amounts as of December 31,2013, while the interim consolidated income statement presents amounts related to the six months period ended June 30,2013, for comparative purposes.

The Interim Consolidated Financial Statements were approved by the Company's Board of Directors on September 26, 2014.

### Note 3 – CONSOLIDATION AREA AND BASIS OF CONSOLIDATION

#### Consolidation area

Company	Country	Net profit/(loss)	Net equity	Period-end	Holding	Carrying value	Consolidation method
TWIN SET - SIMONA BARBIERI S.p.A.	Italy	(1,676,432)	160,685,652	30/06/2014			
TS SHOES SRL	Italy	1,686,591	3,153,978	30/06/2014	80%	1,091,724	Line-by-line
TESSITURA SIDOTI S.R.L.	Italy	53,930	235,522	30/06/2014	90%	45,000	Line-by-line
TS SIMONA BARBIERI DEUTSCHLAND GMBH	Germany	(147,252)	(124,752)	30/06/2014	100%	50,639	Line-by-line
TS SIMONA BARBIERI BELGIUM BVBA	Belgium	(334,887)	344,145	30/06/2014	99.99%	1,042,708	Line-by-line
TS SIMONA BARBIERI SPAIN S.L.	Spain	(310,013)	(342,913)	30/06/2014	100%	4,928	Line-by-line
TS SIMONA BARBIERI FRANCE S.A.	France	(603,876)	(566,376)	30/06/2014	100%	53,400	Line-by-line
TS SIMONA BARBIERI DUTCH HOLDING B.V.	Holland	(9,024)	611,076	30/06/2014	80%	829,844	Line-by-line
TS SIMONA BARBIERI EAST LLC	Russia	(344,097)	959,422	30/06/2014	80%	1,266,721	Line-by-line

Effective from April 1,2014, we entered in a business combination to acquire a business line of Jumping S.r.l., a company operating in the production and sales of shoes. This transaction occurred through a contribution in kind by Jumping S.r.l. of such business line made to a new formed company named Twin Set Shoes S.r.l., of which we subsequently bought 80% for total consideration excluding acquisition costs of Euro 1,170 thousand (of which Euro 920 thousand was paid prior to June 30,2014 and Euro 250 thousand was paid in July 2014).

Here follow details of assets and liabilities acquired through the abovementioned operation are summarized:

Assets	Amount
Tangible Assets	52,650
Goodwill	923,374
Know How	687,000
Other Intangible Assets	274
<b>Total Assets</b>	<b>1,663,298</b>
Liabilities	
Employee severance indemnities	175,944
Other personell payables	29,966
<b>Total Liabilities</b>	<b>205,911</b>

The Interim Consolidated Financial Statements include the financial statements of the Parent Company and the financial statements of its subsidiaries, as illustrated in the table above.

The Group does not hold investments in associated companies; the non-current investments in other companies are measured under the cost method.

#### Basis of consolidation

The Interim Consolidated Financial Statements are prepared in accordance with the provisions of the Italian Legislative Decree 127/1991 and accounting standard OIC 17.

The subsidiaries are included in the Interim Consolidated Financial Statements from the date in which the Parent Company acquires control and are no longer consolidated from the date in which the Parent Company loses control.

The financial statements of companies included in the Interim Consolidated Financial Statements are consolidated on a line-by-line basis, accounting for the non-controlling interest in a proper line item under Shareholders' equity and in the interim consolidated income statement.

The individual financial statements of a subsidiary company are prepared in the company's functional currency, normally the currency of the country where the company is located. All the companies included in the consolidated perimeter use Euro except for Twin Set – Simona Barbieri East that uses Russian rubles as its functional currency. In preparing the consolidated financial statements, the financial statements of foreign operations are translated using the exchange rates at year-end for balance sheet and monthly average exchange rates for the income statement. Translation gains and losses are included in Other reserves – Translation Reserve as a separate component.

The main consolidation criteria, consistently applied over the period described herein, are as follows:

- The carrying amounts of investments in consolidated companies are eliminated against the corresponding net equity; positive differences are allocated, where possible to the subsidiaries' assets. Any non-attributable residual amount calculated at the date of acquisitions, represents goodwill and is recognized as an intangible assets and amortized over its estimated useful life;
- All payables, receivables, revenues and costs, including any unrealized profit and losses, deriving from transactions between companies included in the consolidation area, are eliminated.

#### Note 4 – ACCOUNTING POLICIES

The most significant accounting policies adopted in the preparation of the Interim Consolidated Financial Statements, in accordance with legislative requirements, are the following:

##### **Intangible assets**

Intangible assets are recorded at purchase or production cost, increased by directly allocated acquisition costs, adjusted by the relative amortization provision and increased by any monetary revaluations in accordance with law.

Start up and formation expenses, research and development costs and advertising costs (long-term use) are recorded as assets, with the approval of the Board of Statutory Auditors.

Where at the date of the consolidated financial statements the value of intangible assets, independent of the amortization already recorded, reports a permanent impairment, a write-down is recognized through the income statement; when the reasons for the write-down no longer exist the amount is written back through the income statement, without exceeding the initial value adjusted for amortization.

Intangible asset amortization is calculated using the straight-line method over the estimated useful lives of the assets, in accordance with the following amortization schedule:

INTANGIBLE ASSETS	PERIOD
Start up and formation expenses	5/18 years
Industrial patents and intellectual property rights (software licenses)	3/5 years
Trademarks	18/20 years
Goodwill	18/20 years/duration of underlying contract (residual rental duration)
Other intangible assets (leasehold improvements, finance costs, other deferred)	Duration of underlying contract (residual loan or rental duration)

##### **Property, plant and equipment**

Property, plant and equipment are recorded at purchase price, including acquisition costs directly attributable to the asset. This cost also includes improvement, restoration and modernization expenses, while interests on loans for the acquisition of assets have not been included.

Maintenance expenses incurred to extend property, plant and equipment's useful lives have been capitalized together with historical cost of the asset to which they refer.

Property, plant and equipment are written-down through the income statement if there is a permanent impairment in their value; when the reasons for the write-down no longer exist, the original value is restated, without exceeding the initial value adjusted for depreciation.

Depreciation is determined using the straight-line method over the estimated useful lives of the assets. The depreciation rates utilized are as follows:

PROPERTY, PLANT AND EQUIPMENT		Rate %
Light buildings		10%
Plant and machinery	12.5%, duration of underlying contract (residual rental duration)	
Industrial and commercial equipment		20%, 25%
EDP		20%, 33.3%
Furniture and fittings		10%, 12%
Transport vehicles		20%
Motor vehicles		25%
Assets lower than Euro 516 (for Italy)		100%

For property, plant and equipment acquired during the year, the above-mentioned rates are reduced by half, considered as representative of the lower utilization of these assets, presuming that their participation in the production process is on average half of the year.

For Italian companies, assets with a cost of less than Euro 516 are expensed as incurred.

#### Other financial assets

Investments in other companies are measured at purchase cost, including any acquisition cost, reduced by any permanent impairment if the investee incurs losses that are not expected to be absorbed by profits in the foreseeable future. When the reason of impairment no longer exists due to a change in economic circumstances, the amount of the write down is reversed, without exceeding the original amount.

Receivables recorded under other financial assets are measured at their nominal value, reduced to their realizable value.

#### Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. In particular, for products acquired and held for resale and for direct or indirect materials, acquired and utilized in the production cycle the purchase cost is used while for goods produced by Group companies the production cost is used. The purchase cost is determined including any directly allocated acquisition charges such as transport and customs expenses, less any commercial discount. The production cost is determined including the purchase cost plus the direct and indirect production or transformation expenses, such as direct labour, depreciation, other direct costs and related production overheads, for the portion reasonably allocable to products.

The cost method utilized is the weighted average cost for the period, considering the initial value of inventories.

If the above-mentioned criterio is no longer applicable, due to reduction in sales prices or deteriorated, obsolescent or slow moving products, goods, finished products, semi-finished products and work in progress products are recorded at their net realizable value, while raw materials, consumables and ancillary and semi-processed products are recorded at their replacement cost.

#### Receivables

Trade receivables are recorded at their estimated realizable value through a doubtful debt provision recorded as a direct deduction of their nominal value, taking into account losses for non-recovery, returns and adjustments to invoices, discounts, premiums and all other issues that might determine a lower realizable value. The provision is determined through an analysis of the individual receivables and all other existing matters or expected to occur.

Other receivables are also recorded at their realizable value, generally corresponding to their nominal value.

#### **Cash and cash equivalents**

Cash and cash equivalents are recorded at their nominal value.

#### **Provisions for risks and charges**

The provisions for risks and charges are recorded on the basis of the prudence and accruals principles, in order to cover known or probable losses or liabilities, for which the amount or due date could not be determined at year-end.

The provisions reflect the best estimate on the basis of the available information at the reporting date. The valuation of risks and charges which are dependent on future events considers also the information available after year-end and up to the preparation of the present Interim Consolidated Financial Statements.

Potential liabilities which are only considered possible to occur are described in the notes without recording any provision.

#### **Employee severance indemnities**

The employee severance indemnities recorded in the Interim Consolidated Financial Statements represent the actual debt of the Company due to its employees at the reporting date, net of any advances paid and payments made to the complementary pension funds indicated by the employees or to the INPS Treasury Fund, pursuant to Article 1, paragraph 755 and thereafter of Law No. 296/06.

These liabilities are subject to index-linked revaluation.

#### **Payables**

Both trade and financial payables are recorded at their nominal value.

#### **Accrued income and prepaid expenses and accrued expenses and deferred income**

Accrued income and prepaid expenses and accrued expenses and deferred income, calculated on the accruals basis, relate to the portion of costs and income referring to two or more years; accrued income and prepaid expenses refer to costs and income of the current period to be settled in future periods, while prepaid expenses and deferred income refer to costs and income already paid relating to future periods.

#### **Memorandum accounts**

Risks and commitments relating to the Group, recorded on the basis of the documentation and information available at the reporting date, are included in the memorandum accounts in order to give a true and fair representation of the Interim Consolidated Financial Statements.

#### **Revenues and Costs**

Revenues and costs are recognized based on the accruals principle, independently of the receipt or payment date, net of returns (also through the recording of a provision under liabilities), discounts and premiums.

#### **Income and deferred taxes**

Income taxes are recorded in accordance with the accruals principle; therefore they include:

- the current taxes paid or to be paid, determined in accordance with current provisions and tax rates;

- the amount of deferred tax assets or liabilities, determined in relation to the temporary difference between the values recorded in the Interim Consolidated Financial Statements and the corresponding fiscal values, arising or cancelled in the year.

In compliance with the prudence principle, deferred tax liabilities are not recorded when the probability that the relative payable will arise is limited and the deferred tax assets are recorded only if there is a reasonable certainty of their recovery.

### Translation of amounts not denominated in Euro

The current receivables and payables in foreign currencies are adjusted using the exchange rate at the Interim Consolidated Financial Statements' date. Gains and losses arising from the translation of the individual current receivables and payables are respectively credited and debited to the income statement as financial items. Any net gain recorded in the income statement resulting from the translation of the foreign currency amounts at year-end is recorded in a specific non-distributable reserve until the gain is realized.

### Derivative instruments

The Group holds derivative financial instruments in order to hedge its exposure to interest rate and exchange rate risks.

Derivative contracts are considered hedging contracts as there is a high correlation between the technical/financial features (maturity, amount, rates) of the assets or liabilities hedged and the financial instrument and these features are appropriately documented.

Derivative contracts without the above mentioned features are considered speculative contracts and their loss in value is recognized through the income statement at the end of each year.

### Use of estimates

The preparation of the Interim Consolidated Financial Statements requires management's estimates and assumptions on the values of the assets and liabilities and on the information relating to the assets and potential liabilities at the Interim reporting date. The estimates and assumptions used are based on past experience and other relevant factors. However, actual results might differ from estimates. Estimates and assumptions are reviewed periodically and the impacts of any resulting changes are recognized directly in the income statement in the period in which the estimates are revised, if the revision impacts only that period, or also in future periods, if the revision impacts both current and future periods. The most significant accounts affected by these uncertainties are the obsolescence provision, the doubtful debt provision and the provision for risks and charges.

## Note 5 – INTANGIBLE ASSETS

The changes in intangible assets during the period were as follows:

In Euro	Year ended December 31, 2023	As of December 31, 2023				On Acquisition 01/04/2024		Changes in the period						As of June 30, 2024			
		Amortization	Historical cost	Accumulated amortization	Net book value	Historical cost	Accumulated amortization	Additions	Reverts	Decreases		Amortization	Historical cost	Accumulated amortization	Net book value		
Account										HSE cost	Art. invest.						
Start up and formation expenses	(89,856)	871,194	(315,234)	555,960	-	-	280,366	8,137	-	-	-	(90,865)	1,159,697	(406,099)	753,598		
Industrial patents and intellectual property rights	(709,931)	3,019,356	(1,373,859)	1,645,497	11,826	(11,552)	539,361	31,185	-	-	-	(198,427)	3,601,728	(1,783,838)	1,817,890		
Concessions, licenses, trademarks and similar rights	(1,436,558)	28,583,060	(1,873,424)	26,709,636	687,000	-	30,690	-	-	-	-	(890,882)	29,300,750	(2,764,308)	26,536,444		
Goodwill	(10,882,958)	216,149,454	(11,489,344)	204,660,110	923,374	-	1,091,884	-	-	-	-	(5,842,269)	218,164,712	(17,331,613)	200,833,099		
Assets in progress and advances	-	1,696,940	-	1,696,940	-	-	2,181,288	(603,637)	-	-	-	-	1,274,591	-	3,274,591		
Other intangible assets	(2,663,554)	26,539,511	(6,338,454)	20,201,057	-	-	8,212,277	564,315	(34,871)	29,899	(1,639,958)	35,281,232	(7,948,513)	27,332,719	-		
<b>Total intangible assets</b>	<b>(15,782,857)</b>	<b>276,859,515</b>	<b>(21,390,315)</b>	<b>255,469,200</b>	<b>1,822,200</b>	<b>(11,552)</b>	<b>12,385,866</b>	<b>-</b>	<b>(34,871)</b>	<b>29,899</b>	<b>(8,862,401)</b>	<b>290,782,710</b>	<b>(30,234,269)</b>	<b>260,548,441</b>	<b>-</b>		



Start up and formation expenses include incorporation and formation expenses incurred by the Parent Company and its subsidiaries. The increase for the period of Euro 288,503 principally concerns costs incurred by the Parent Company for the incorporation of overseas companies.

Industrial patents and intellectual property rights include the costs for software licenses for indefinite use, principally held by the Parent Company. The total increase for the period of Euro 570,820 principally concerns costs incurred for the introduction of new infrastructural solutions and the development of the current operating system.

Concessions licenses, trademarks and similar rights reflect the net book value of brands “TWIN - SET Simona Barbieri” and “SCEE by TWIN - SET”, in addition to minor brands, mainly “Baby TWIN - SET” and “Girl”. The Parent Company invested Euro 30,690 in the first half of 2014 in order to register new trademarks and maintain existing trademarks.

Euro 687,000 relates the contribution made by Jamping S.r.l. of a business line for the production of shoes in Twin Set Shoes S.r.l., following which Jamping S.r.l. has become a shareholder of Twin Set Shoes S.r.l.. The operation is described in the paragraph “Consolidation Area”.

This account also includes the allocation of purchase price excess arising from the merger of Light Force and Fuori dal Sacco 2 for Euro 27,380,297 (“premium paid”) to the main trademark “TWIN - SET Simona Barbieri”, which is amortized on a straight-line basis over twenty years.

Finally, in the financial statements as of December 31, 2005 the incorporated Light Force recorded, on the basis of an expert opinion, a revaluation of the above-mentioned trademark, as permitted by Law 266/05, for Euro 1 million; consequently in accordance with Article 10 of Law No. 72 of March 19, 1983, with subsequent laws on revaluations and for a better understanding of the changes in the cost of this trademark, we summarize its movements below:

Description	Initial historical cost	Revaluation L. 266/2005	Cumulative increases	Allocation of premium paid	Book value as of June 30 2014
“Twin Set - Simona Barbieri” trademark	8,071	1,000,000	152,924	27,380,297	28,541,292

Goodwill addition refers: for Euro 1,091,884, to the costs incurred by the Parent Company connected to the goodwill paid for the acquisition of a store in France; for Euro 923,374 to the contribution made by Jamping S.r.l. of a business line for the production of shoes in Twin Set Shoes S.r.l., following which Jamping S.r.l. has become a shareholder of Twin Set Shoes S.r.l.. The operation is described in the paragraph “Consolidation Area”.

The account also includes, for Euro 188,203,712, the net book value of goodwill resulting from the allocation of the premium paid arising from the merger previously described, amortized on a straight-line basis over twenty years.

The increase in assets in progress and advances of Euro 2,181,288 relates for Euro 525,032 to costs incurred by the Parent Company for the implementation of a number of projects and in particular: Euro 205,534 for the capitalization of employee costs related to the new Oracle JD Edwards management software; Euro 104,894 for the development project of Online Shopping; Euro 76,295 for the implementation of the new management software of the retail channel “Store2”; Euro 60,788 for the design and construction of new offices; Euro 52,979 for costs related to the acquisition and implementation of the software “PLM” for the management of product registration information and Euro 24,542 for the capitalization of employee costs related to the development of the new personnel management software. The increase also relates to expenses incurred to develop the retail channel and in particular new shops that will be opened later in 2014

(Key money paid to secure leases in strategic locations) in Spain for Euro 485,182, in Belgium for 126,485 and in Germany for Euro 211,838. The residual part of the increase principally relates to expenses concerning the Polaris project, which should be concluded by the end of 2014 (Euro 488,381); and other expenses (Euro 342,171).

Other intangible assets mainly include leasehold improvements (Euro 6,536,923), key money paid to secure leases in strategic locations (Euro 16,237,077) and finance expenses for a Senior Loan obtained by the Parent Company from a syndicate of banks led by Unicredit S.p.A. (Euro 4,553,016) and, consequently, amortized over the contract duration. This latter have been expenses subsequent to the date of the financial due to the full repayment of the Senior Loan connected to the issuance of the Notes as described in Note 24.

The increase of the period of Euro 8,776,592 principally concerns key money paid by the Parent Company and by its subsidiary TS France, TS Spain, TS Belgium and TS Germany and restructuring expenses incurred for the opening of Bari and Palermo stores, of 3 stores in France (1 in Lyon, 2 in Paris), of 2 stores in Spain (Valencia and Palma) and of 1 store in Belgium (Maasmechelen).

### Impairments

The above-mentioned intangible assets were amortized on a straight-line basis as illustrated above; in addition, the Group companies did not recognised any impairment loss.

## Note 6 – PROPERTY, PLANT AND EQUIPMENT

The changes of property, plant and equipment during the period were as follows:

As of June 30, 2014	Year ended December 31, 2013			As of December 31, 2013			On Acquisition 01/04/2014			Changes in the period				As of June 30, 2014		
	Depreciation	Historical cost	Accumulated depreciation	Net book value	Historical cost	Accumulated depreciation	Additions	Retires.	Disposals		Depreciation	Historical cost	Accumulated depreciation	Net book value		
									Hit cost	Acc. deprec.						
Land and buildings	(1,751)	29,881	(5,291)	24,590	-	-	-	-	-	-	(1,485)	29,881	(6,776)	23,105		
Plant and machinery	(610,639)	10,217,881	(6,658,767)	3,559,114	153,738	(109,149)	996,441	19,745	(9,000)	5,375	(405,644)	11,378,805	(7,168,185)	4,210,620		
Industrial and commercial equipment	(1,014,608)	5,187,307	(1,975,137)	3,212,170	116,704	(116,704)	1,155,973	2,600	(63,036)	19,962	(384,475)	6,399,548	(2,456,354)	3,943,194		
Other tangible assets	(243,816)	1,941,698	(1,421,501)	520,197	51,989	(43,927)	527,041	851	(89,952)	35,909	(140,786)	2,431,627	(1,570,305)	861,322		
Construction in progress and advances	-	23,196	-	23,196	-	-	1,140,488	(23,196)	-	-	-	1,140,488	-	1,140,488		
<b>Total property, plant and equipment</b>	<b>(1,870,814)</b>	<b>17,399,963</b>	<b>(10,060,696)</b>	<b>7,339,267</b>	<b>322,431</b>	<b>(269,780)</b>	<b>5,819,943</b>	<b>-</b>	<b>(161,988)</b>	<b>61,246</b>	<b>(852,890)</b>	<b>21,980,349</b>	<b>(11,201,620)</b>	<b>10,778,729</b>		

Land and buildings concern light constructions amounting to Euro 23,105 as of June 30, 2014.

Plant and machinery includes specific and general plant, installed at the premises, factories and warehouses, as well as at boutiques and outlets, of weaving and production machinery.

The addition for the period, Euro 1,016,186, represents for Euro 236,804 the investments made by the Parent Company during the first half for the fitting of electrical plant, lighting and video surveillance for the new stores in Bari and Palermo opened respectively on March 15, 2014 and on June 14, 2014; for Euro 202,421 to investments made by the subsidiary TS Spain in connection to the new stores opened in Valencia on January 31, 2014 and in Palma de Mallorca on June 28, 2014; for Euro 474,018 to investments made by TS France for the new stores opened in Paris, one opened on April 30, 2014 and one on June 7, 2014, and in Lyon on April 4, 2014; for Euro 70,246 to investments made by TS Belgium in connection to the new outlet opened in Maasmechelen on April 3, 2014.

The acquisition for Euro 44,589 relates the contribution made by Jamping S.r.l. of a business line for the production of shoes to Twin Set Shoes S.r.l. as described in the paragraph "Consolidation Area".

Industrial and commercial equipment principally includes equipment for the ironing section and furniture and fittings for the various boutiques and directly managed outlets.

The increase of the period for Euro 1,158,573 principally concerns the purchases made by the Parent Company for the new Bari and Palermo stores (Euro 226,670) and for other existing sales points and headquarters (Euro 179,594); for Euro 247,950 the purchase made by the subsidiary TS Spain for the Valencia and Palma de Mallorca stores; for Euro 389,200 the purchase made by TS France for the Paris and Lyon stores and for Euro 76,672 for the new outlet in Maasmechelen.

Other tangible assets principally include EDP, transport and motor vehicles.

The increase for the first half 2014, amounting to Euro 527,892, principally refer to the purchase of ordinary assets of the Parent Company for Euro 474,358, of the subsidiary TS Spain for Euro 14,821, of the subsidiary TS France for Euro 20,637. The acquisition for Euro 8,062 relates the contribution made by Jamping S.r.l. of a business line for the production of shoes to Twin Set Shoes S.r.l. as described in the paragraph "Consolidation Area".

Construction in progress and advances, amounting to Euro 1,140,488, concern plants and leasehold improvements not yet completed, principally relating to the stores in Spain (Euro 243,588), in Germany (Euro 249,688), in Belgium (Euro 225,509) and in Russia (Euro 410,299) which will be opened later in 2014.

#### Finance leases

There are no finance lease contracts.

#### Impairments

Property, plant and equipment were depreciated on a straight-line basis as illustrated above; in addition, the Group companies did not record any write-down.

### Note 7 – OTHER FINANCIAL ASSETS

In relation to the changes in other financial assets, please refer to the following table:

In Euro	As of December 31, 2013				Changes in the period		As of June 30, 2014			
	Cost	Reval.	Write-down	NBV	Increases	Decreases	Cost	Reval.	Write-down	NBV
<i>Investments</i>										
- Subsidiaries	-	-	-	-	-	-	-	-	-	-
- other companies	5	-	-	5	-	-	5	-	-	5
<i>Receivables</i>										
- other	90,926	-	-	90,926	298,310	-	389,236	-	-	389,236
<b>Total other financial assets</b>	<b>90,931</b>	<b>-</b>	<b>-</b>	<b>90,931</b>	<b>298,310</b>	<b>-</b>	<b>389,241</b>	<b>-</b>	<b>-</b>	<b>389,241</b>

Other financial assets are composed by investments in other companies corresponding to the investment in the Obligatory National Packaging Consortium (CONAI).

Financial receivables of Euro 389,236 mainly refer, for Euro 90,923, to guarantee deposits of Tessitura Sidoti and for Euro 289,236, to a deposit account subscribed by the Parent.

There are no investments in companies resulting in an unlimited responsibility for commitments undertaken (Article 2361 of the Civil Code).

## Note 8 - INVENTORIES

The changes in inventories are shown in the following table:

In Euro	As of June 30, 2014		As of December 31, 2013		Changes	
	Gross	Net	Gross	Net	Gross	Net
Raw materials, consumables and goods	7,269,076		5,839,691		1,429,385	
- obsolescence provision	(1,223,983)		(908,489)		(315,494)	
		<b>6,045,093</b>		<b>4,931,202</b>		<b>1,113,891</b>
Work-in-progress and semi-finished products	3,574,437		3,360,261		214,176	
- obsolescence provision	-		-		-	
		<b>3,574,437</b>		<b>3,360,261</b>		<b>214,176</b>
Finished goods	50,940,389		48,188,248		2,752,141	
- obsolescence provision	(4,159,133)		(2,850,594)		(1,308,539)	
		<b>46,781,256</b>		<b>45,337,654</b>		<b>1,443,602</b>
<b>Total inventories</b>		<b>56,400,786</b>		<b>53,629,117</b>		<b>2,771,669</b>

Inventories consist of:

- raw materials, consumables and goods, amounting to Euro 6,045,093, net of the obsolescence provision of Euro 1,223,983 (Euro 908,489 at December 31, 2013), including yarns, textiles and accessories;
- work in progress and semi-finished products, amounting to Euro 3,574,437, represent clothing and garments in production not yet completed at period end;
- finished goods, amounting to Euro 46,781,256, net of the relative obsolescence provision of Euro 4,159,133 (Euro 2,850,594 as of December 31, 2013), include garments produced and complementary products distributed.

The increase in inventories, compared to December 31, 2013, principally relates to the development of retail channel sales.

The obsolescence provision, recorded as a direct reduction of inventories for a total amount of Euro 5,383,116 as of June 30, 2014, is calculated to cover both slow moving both for raw materials and finished products and the lower sales value of goods and garments from previous seasons.

## Note 9 – RECEIVABLES

The changes in receivables are shown in the table below:

In Euro	As of June 30, 2014	As of December 31, 2013	Changes
Trade receivables	47,721,570	44,499,345	3,222,225
Tax receivables	3,635,291	4,782,464	(1,147,173)
Deferred tax assets	4,527,750	2,962,094	1,565,656
Other receivables	2,115,106	1,873,681	241,425
<b>Total receivables</b>	<b>57,999,717</b>	<b>54,117,584</b>	<b>3,882,133</b>

Trade receivables, amounting to Euro 47,721,570 (Euro 44,499,345 as of December 31, 2013), refer to the sale of products produced and distributed by the Group. The change compared to December 31, 2013 principally relates to the increase of monthly turnover.

Trade receivables are reported net of doubtful debt provision, amounting to Euro 2,516,901 as of June 30, 2014 (Euro 2,221,950 as of December 31, 2013), against the risk of potential losses. The movements of the provision in the period are as follows:

As of December 31, 2013	Utilizations	Provisions	Release	As of June 30, 2014
2,221,950	(405,049)	700,000	-	2,516,901

Tax receivables, amounting to Euro 3,635,291 (Euro 4,782,464 as of December 31, 2013), include VAT receivables for Euro 2,574,854 (Euro 2,605,538 as of December 31, 2013) related to the various group companies in the respective countries; IRES reimbursement receivable of the Parent Company pursuant to Legislative Decree 201/2011 for Euro 242,177, IRES receivables of the Parent Company for Euro 354,952; VAT reimbursement receivable of the Parent Company for Euro 367,194 and other tax receivables for Euro 96,114.

Deferred tax assets refer to temporary tax differences, deductible in future years, mainly related to obsolescence provision, the non-deductible portion of doubtful debt provision and other non-deductible provisions for risks and charges. For a breakdown and changes occurred in the period for this line item please refer to Note 22.

Other receivables include mainly deposits for Euro 1,295,933 (Euro 501,135 as of December 31, 2013), credit notes to be received for Euro 275,621 (Euro 720,440 as of December 31, 2013), receivables from suppliers for Euro 360,834.

#### Breakdown of receivables by geographic area

Percentage	As of June 30, 2014 %	As of December 31, 2013 %
Italy	80.5%	77.7%
EU	15.6%	19.0%
Non EU	3.9%	3.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

The table concerns the breakdown of trade receivables; all other receivables almost entirely related to Italy.

#### Maturity of receivables

The maturity of receivables as of June 30, 2014 is shown in the table below:

In Euro	Total	Amounts due within 1 year	Amounts due between 1 and 5 years
Trade receivables	47,721,570	47,721,570	-
Tax receivables	3,635,291	3,635,291	-
Deferred tax assets	4,527,750	4,492,860	34,890
Other receivables	2,115,106	819,173	1,295,933
<b>Total receivables</b>	<b>57,999,717</b>	<b>56,668,894</b>	<b>1,330,823</b>

## Note 10 – CASH AND CASH EQUIVALENTS

The changes in cash and cash equivalents are shown in the table below:

In Euro	As of June 30, 2014	As of December 31, 2013	Changes
Bank and postal accounts	8,112,030	14,230,542	(6,118,512)
Cheques	-	940	(940)
Cash on hand	76,670	58,996	17,674
<b>Total cash and cash equivalents</b>	<b>8,188,700</b>	<b>14,290,478</b>	<b>(6,101,778)</b>

For a better understanding of the changes in cash and cash equivalents, please refer to the interim consolidated cash flow statement.

## Note 11 – ACCRUED INCOME AND PREPAID EXPENSES

Accrued income and prepaid expenses as of June 30, 2014, amounting to Euro 982,958, include prepaid expenses (Euro 981,002) composed as follows:

In Euro	As of June 30, 2014	As of December 31, 2013	Changes
Trade fairs	73,276	103,943	(30,667)
Hire	53,667	50,848	2,819
Rental	228,265	198,569	29,696
Services	337,830	220,605	117,225
Consultants	34,586	61,750	(27,164)
Sureties	-	8,580	(8,580)
Insurance	146,021	10,702	135,319
Franchising	96,878	6,942	89,936
Other	10,479	4,918	5,561
<b>Total prepaid expenses</b>	<b>981,002</b>	<b>666,857</b>	<b>314,145</b>

Services, amounting to Euro 337,830 (Euro 220,605 as of December 31, 2013) principally concern prepayments on advertising contracts, assistance contracts, telephone expenses and store licenses. The increase compared to the previous year, amounting to Euro 117,225, is mainly due to marketing and advertising services.

Insurance increases for Euro 135,319 due to the prepayment of new insurance policies.

The higher amount of Franchising is due to the new franchising store agreements signed in the first half 2014.

There are no accrued income and prepaid expenses with duration of more than five years.

## Note 12 – SHAREHOLDERS' EQUITY

The share capital of the Parent Company of Euro 522,400 was fully paid-in.

Equity attributable to non-controlling interests amounts to Euro 212,212.

The ownership structure is as follows:

In Euro	As of December 31, 2013	%	Increase	Decrease	As of June 30, 2014	%
<b>Shareholders</b>						
CEP III PARTECIPATIONS S.A.R.L. SICAR	376,128	72%	-	-	376,128	72%
MO.DA GIOIELLI SRL	146,272	28%	-	-	146,272	28%
<b>Total share capital</b>	<b>522,400</b>	<b>100%</b>	-	-	<b>522,400</b>	<b>100%</b>

As illustrated in Note 15 – PAYABLES on Bank loans paragraph the Parent Company's quotas are subject to pledge as guarantee on Senior Loan.

#### Reconciliation between net profit/(loss) and equity of Parent Company with net profit/(loss) and equity of Interim Consolidated Financial Statements

The reconciliation between net profit/(loss) and equity of the Parent Company and net profit/(loss) and equity in the Interim Consolidated Financial Statements is reported in the following table.

In Euro	Profit/(loss) for the six months ended June 30, 2014	Equity as of June 30, 2014
<b>Financial statements of TWIN SET - Simona Barbieri S.p.A.</b>	<b>(1,676,432)</b>	<b>160,685,652</b>
- <i>Difference between carrying value and book value of net equity of subsidiaries</i>	(166,216)	(549,750)
- <i>Elimination of intercompany profit in stock:</i>	(2,053,080)	(2,167,448)
- Financial Statements Translation effect	0	29,439
<b>Profit/(loss) and equity attributable to the Group</b>	<b>(3,895,728)</b>	<b>157,997,893</b>
<b>Profit/(loss) and equity attributable to non-controlling interests</b>	<b>(212,212)</b>	<b>227,366</b>
<b>Consolidated profit/(loss) and equity</b>	<b>(4,107,940)</b>	<b>158,225,259</b>

#### Shares with special rights, convertible bonds, securities or similar issued by the company

The Parent Company did not issue securities or similar.

#### Equity allocated to specific business

The Parent Company does not have equity allocated to specific businesses.

#### Note 13 – PROVISIONS FOR RISKS AND CHARGES

The changes in provisions for risks and charges in the period are shown in the table below:

In Euro	As of December 31, 2013	Utilization	Provision	Release	Reclassification	As of June 30, 2014
Provision for pensions and similar obligations	1,922,099	(26,425)	255,412	-	-	2,151,086
Provision for taxation	241,385	(25,916)	-	(3,041)	(212,428)	-
Provision for returns	1,340,927	(178,000)	-	-	-	1,162,927
Other provision for risks and charges	1,408,041	(814,041)	225,843	-	-	819,843
<b>Total provisions for risks and charges</b>	<b>4,912,452</b>	<b>(1,044,382)</b>	<b>481,255</b>	<b>(3,041)</b>	<b>(212,428)</b>	<b>4,133,856</b>

Provision for pensions and similar obligations refers to the amount due to sales representatives for future contract terminations. The provision has been calculated in compliance with the National Agents' Agreement for Italian agents and according to the best estimate of management for overseas agents.

Provision for taxation: the provision accrued in previous period, following the assessment made by Italian tax authorities, has been reclassified in "Tax payables" after the official communication received by Italian Tax Authorities.

Provision for returns is accrued on the basis of the estimated and expected returns relating to sales made during the period.

Other provision for risks and charges relates to potential disputes with third parties, amounting to Euro 819,843. During the period under review, the Parent close two transaction with two former agents.

#### Note 14 – PROVISION FOR EMPLOYEE SEVERANCE INDEMNITIES

The provision reflects the liability due to employees as of June 30, 2014, less advances paid and transfers made to INPS Treasury Fund and Open Funds.

The changes in the period were as follows:

In Euro	As of June 30, 2014	As of December 31, 2013	Changes
Severance indemnity liability	696,926	538,319	158,607
Advances	(89,918)	(118,671)	28,753
Payments to supplementary funds	56,538	54,995	1,543
<b>Total provision for employee severance indemnities</b>	<b>663,546</b>	<b>474,643</b>	<b>188,903</b>

#### Note 15 - PAYABLES

The changes in payables are shown in the following table:

In Euro	As of June 30, 2014	As of December 31, 2013	Changes
Shareholder loan	79,924,277	77,285,818	2,638,459
Bank loans	79,898,747	74,907,050	4,991,697
Client advances	997,624	1,420,447	(422,823)
Trade payables	52,653,431	51,319,631	1,333,800
Tax payables	4,031,394	939,937	3,091,457
Social security payables	830,727	878,805	(48,078)
Other payables	5,132,379	2,977,851	2,154,528
<b>Total payables</b>	<b>223,468,579</b>	<b>209,729,539</b>	<b>13,739,040</b>

Shareholder loan refers to an interest bearing loan provided to the Parent Company on July 27, 2012 by the Shareholder MO.DA Gioielli S.r.l. for Euro 70,000,000 (so-called "Shareholder Loan"). This loan, with a 7 years duration, was undertaken – together with other loans – for the acquisition of the investment of Light Force by Fuori dal Sacco 2 and for the development of the Parent Company.

The balance as of June 30, 2014 includes non-cash interests accrued from the drawdown date, amounting to Euro 9,924,277 (Euro 7,258,818 as of December 31, 2013) and increases the amount of the loan as they will be fully repaid, together with the principal, on the maturity date.



Bank loans consist of bank overdrafts for Euro 3,053,043 (Euro 582,743 as of December 31, 2013) and loans for Euro 76,845,704 (Euro 74,324,307 as of December 31, 2013). No new loans were undertaken during the period.

The following table reports a breakdown of bank loans as of June 30, 2014 and the changes during the period:

Lender	As of December 31, 2013	Changes in the period		As of June 30, 2014	Maturity	Maturity			
		Repayments	Drawdown			within one year	beyond one year	within 5 years	over 5 years
CARISBO	611,568	(100,018)	-	511,550	29/12/2016	202,314	309,236	511,550	-
CARIGE	320,910	(77,351)	-	243,559	31/12/2015	161,898	81,661	243,559	-
BPER - SACE (2895788)	1,127,983	(278,428)	-	849,555	30/12/2015	564,265	284,861	849,555	-
BPER (3564210)	990,965	(148,541)	-	842,424	29/01/2017	301,307	541,116	842,424	-
BNL	559,687	(124,375)	-	435,312	02/01/2016	248,750	186,563	435,312	-
CENTROBANCA	150,000	(150,000)	-	-	10/02/2014	-	-	-	-
BANCA POP. COMM.& IND.	563,194	(99,890)	-	463,304	21/09/2016	203,112	260,192	463,304	-
UNICREDIT (term loan)	57,000,000	(3,500,000)	-	53,500,000	29/06/2018	8,000,000	45,500,000	53,500,000	-
UNICREDIT (capex line)	13,000,000	-	7,000,000	20,000,000	31/12/2018	-	20,000,000	20,000,000	-
<b>Total bank loans</b>	<b>74,324,307</b>	<b>(4,478,603)</b>	<b>7,000,000</b>	<b>76,845,704</b>		<b>9,681,646</b>	<b>67,163,629</b>	<b>76,845,704</b>	<b>-</b>

The residual loan of Euro 53,500,000 corresponds to the Senior Loan granted by the bank syndicate, led by Unicredit S.p.A. (Banca Imi S.p.A., BBVA Milan Branch, Centrobanca S.p.A., CR Parma e Piacenza S.p.A., Meliorbanca S.p.A. and MPS Capital Service S.p.A. and Unicredit S.p.A.) for an original amount of Euro 60,000,000.

This loan, together with the Shareholder Loan previously described, was undertaken by Fuori dal Sacco 2 for the acquisition of Light Force. The main features of the loan as per the contract signed on July 25, 2012 are as follows:

- Amortizing Loan of Euro 60,000,000 ("Term Loan"), with maturity date on June 29, 2018, fully drawn-down on July 25, 2012. The repayment plan provides for 11 variable installments, increasing during the years starting from June 30, 2013. During the first six months of 2014 one installment, for a total amount of Euro 3,500,000, was repaid. Interests is calculated based on Euribor at 6 months plus a spread of 600 basis points. Two Interest Rate Swap contracts were signed with Unicredit S.p.A. and BBVA to partially hedge the interest rate risk on the loan for the residual Euro 40,125,000.
- Revolving Line of Euro 20,000,000 ("Revolving Line") to meet the working capital needs and to be utilized against working capital peaks due to the normal seasonality of the business, repaid by the end of each year. During the first half of 2014 this line was not utilized;
- Investment line relating to the opening of new sales points for Euro 20,000,000 ("Capex Line"), with maturity date on June 29, 2018, in accordance with a pre-determined repayment plan. During the first six months of 2014 the capex line was withdrawn for a total of Euro 7,000,000 and as of June 30, 2014 the Capex line was fully utilized.

The Senior Loan provides for periodic disclosures, as well as compliance with some financial and equity ratios (covenants), calculated on the consolidated figures as summarized below:

- *Leverage Ratio* (quarterly review): ratio between net financial position and consolidated Group EBITDA;
- *Interest Covered Ratio* (quarterly review): ratio between consolidated Group EBITDA and net financial expenses;
- *Cash-flow Cover* (quarterly review): ratio between operating cash flows generated and total payables;
- *Capex Limit* (annual review from December 31, 2012): limit of the investments in capital contributions.

All covenants ratios have been fully met for quarters within the period from June 30, 2013 to June 30, 2014 and for the 2013 year end.

The above mentioned Senior Loan is secured by a pledge over all the Parent Company investments and the trademark "TWIN - SET Simona Barbieri". The pledge has been included also over the 2013 capital increase.

The gross proceeds from the offering of the Notes (Bond) issued on July 22<sup>nd</sup> were used to repay the Term loan for an amount of Euro 53.7M (capital Euro 53.5M and interest for Euro 0.2M) and the Capex line for a total of Euro 20.2M (capital Euro 20M and interest Euro 0.2M). For more details on the "Notes offering operation" (Bond) refer to the description in paragraph "Subsequent events" in the Note 24.

Client advances, amounting to Euro 997,624 (Euro 1,420,447 as of December 31, 2013), refer to advances requested by clients for future sales.

Trade payables, amounting to Euro 52,653,431 (Euro 51,319,631 as of December 31, 2013), refer to the supply of goods and services and to agent commissions. The increase is mainly due to the higher volume of business.

Tax payables, amounting to Euro 4,031,394 (Euro 939,937 as of December 31, 2013), are reported net of advances paid and withholding taxes receivables. This account is mainly composed of withholding taxes on employees and professionals for Euro 910,887 (Euro 730,824 as of December 31, 2013), IRAP payables for Euro 949,951 (Euro 204,439 as of December 31, 2013), VAT payables for Euro 704,054, the provision accrued in previous period following the assessment made by Italian tax authorities for Euro 212,429 and other tax payables for Euro 8,231.

Social security payables, amounting to Euro 830,727 (Euro 878,805 as of December 31, 2013), refer to INPS payables for Euro 677,834 (Euro 751,569 as of December 31, 2013), ENASARCO for Euro 73,171 (Euro 109,903 as of December 31, 2013), INAIL for Euro 52,355 (Euro 843 as of December 31, 2013) and other social security institutions for Euro 27,368 (Euro 16,489 as of December 31, 2013).

Other payables, amounting to Euro 5,132,379 (Euro 2,977,851 as of December 31, 2013), include: payables to employees for salary, vacation not yet taken, additional salary (called 13<sup>th</sup> months) and the relative social contributions for Euro 3,589,390 (Euro 2,366,914 as of December 31, 2013), payables from customers which may not be not offset with trade receivables for Euro 496,680 (Euro 406,250 as of December 31, 2013), payables for loan for Euro 140,300, payables for deposits received from contract manufacturers for Euro 79,275 (unchanged from December 31, 2013), payables for a pledge granted by Tessitura Sidoti in connection with the business unit purchase operation for Euro 90,000 and other payables for Euro 736,735 (Euro 125,412 as of December 31, 2013).

#### **Maturity of payables**

The detail of payables maturity is shown in the table below:

In Euro	Total	Amounts due within 1 year	Amounts due between 1 and 5 years	Amounts due beyond 5 years
Shareholder loan	79,924,277	-	-	79,924,277
Bank loans	79,898,747	3,053,043	76,845,704	-
Client advances	997,624	997,624	-	-
Trade payables	52,653,431	52,653,431	-	-
Tax payables	4,031,394	4,031,394	-	-
Social security payables	830,727	830,727	-	-
Other payables	5,132,379	5,132,379	-	-
<b>Total payables</b>	<b>223,468,579</b>	<b>66,698,598</b>	<b>76,845,704</b>	<b>79,924,277</b>

### Breakdown of payables by geographic area

The geographic breakdown of trade payables as of June 30, 2014 compared to December 31, 2013 is as follows:

Percentage	As of June 30, 2014 %	As of December 31, 2013 %
Italy	69,3%	74,3%
EU	5,4%	4,1%
Non EU	25,3%	21,6%
<b>Total</b>	<b>100,0%</b>	<b>100,0%</b>

The table concerns the breakdown of trade payables; all other payables refer to Italy.

### Financial Instruments

At June 30, 2014 the Companies of the Group did not issue financial instruments. For further details refer to the description in *"Management's discussion and analysis of financial condition and results of operations"*.

### Project finance loans

The Companies of the Group did not issue loans related to specific businesses.

## Note 16 – ACCRUED EXPENSES AND DEFERRED INCOME

This account amounts to Euro 194,041 as of June 30, 2014 and includes the following accrued expenses:

In Euro	As of June 30, 2014	As of December 31, 2013	Changes
Interest- Revolving Line	90,667	92,000	(1,333)
Interest - Capex Line	-	46,667	(46,667)
Interest -Loan Line	-	10,473	(10,473)
Other loan interest	3,969	36,181	(32,212)
Rental fees and expenses	15,066	27,866	(12,800)
Services	2,551	3,822	(1,271)
Other	81,788	49,496	32,292
<b>Total accrued expenses</b>	<b>194,041</b>	<b>266,505</b>	<b>(72,464)</b>

No deferred income was recorded as of June 30, 2014 (Euro 200 as of December 31, 2013).

There are no accrued expenses or deferred income with duration of more than five years.

## Note 17 – MEMORANDUM ACCOUNTS

The memorandum accounts reported at the end of the interim consolidated balance sheet refer to sureties provided by credit institutions on behalf of the Parent Company, related to contractual obligations undertaken on the signing of rental contracts, amounting to Euro 5,929,767 (Euro 3,393,363 as of December 31, 2013).

In relation to the commitments related to USD forward purchase contracts in place as of June 30, 2014, amounting to Euro 19,816,819 (Euro 17,500,281 as of December 31, 2013), please refer to the following table:

Bank	Contract type	Amount (USD)	Operation date	Date init. util.	Maturity date	Forward Rate	Ctr Euro	Fair Value
Unicredit	Flexi forward	5,000,000	22/10/2013	03/02/2014	29/07/2014	1.3748	3,636,893	24,084
Unicredit	Flexi forward	5,000,000	19/09/2013	28/05/2014	26/09/2014	1.3402	3,730,786	(69,918)
Unicredit	Flexi forward	5,000,000	19/09/2013	01/09/2014	29/12/2014	1.3520	3,698,225	(38,189)
Unicredit	Flexi forward	4,000,000	27/01/2014	01/12/2014	27/02/2015	1.3630	2,934,703	(7,717)
Unicredit	Flexi forward	4,000,000	27/01/2014	01/12/2014	29/05/2015	1.3620	2,936,858	(9,872)
Unicredit	Flexi forward	4,000,000	13/03/2014	02/01/2015	30/06/2015	1.3892	2,879,355	47,221
<b>Totale</b>		<b>27,000,000</b>					<b>19,816,819</b>	<b>(54,391)</b>

As of June 30, 2014, two Interest Rate Swap (IRS) contracts signed by the Parent Company were effective, for a residual nominal value of Euro 40,125,000, undertaken to partially hedge the interest rate risk on a Senior loan, as previously described. The breakdown and fair value of these contracts as of June 30, 2014 is shown in the following table:

Counterparty	Amount	Maturity Date	Rate	Floater	Fair Value
BBVA	13.375.000	31/12/2015	0,785%	Euribor 6M	(92.893)
Unicredit	26.750.000	31/12/2015	0,780%	Euribor 6M	(184.010)
<b>Totale</b>	<b>40.125.000</b>				<b>(276.903)</b>

## Note 18 – REVENUES AND INCOME

In Euro	Six months ended June 30, 2014	Six months ended June 30, 2013	Changes
Revenue	98,971,996	83,253,800	15,718,196
Other income and internally generated assets	1,259,508	716,585	542,923
Change in work in progress, semifinished and finished product inventories	3,227,273	5,780,671	(2,553,398)
<b>Total revenue and income</b>	<b>103,458,777</b>	<b>89,751,056</b>	<b>13,707,721</b>

Revenues represent the sales occurred in the half through the various distribution channels and increased by 19% compared to the same period of the previous year. Wholesale channel revenues grew from Euro 68,040,182 for the first half 2013 to Euro 73,776,811 for the first half 2014. Retail channel (shop online included) revenues increased by 66% to Euro 25,104,749 for the first half 2014 from Euro 15,128,305 for the first half 2013. Finally, other revenues increased to Euro 90.436 for the six months ended June 30, 2014 from Euro 85,313 for the first half 2013.

Revenues relate to the Parent Company for Euro 96,388,558, to Tessitura Sidoti for Euro 686,398, to TS Belgium for Euro 1,120,756, to TS Spain for Euro 282,828, to TS Shoes for Euro 272,346 and to TS France for Euro 221,110.

Revenues are shown net of returns (including the provision for returns, as described in Note 13), discounts and allowances.

The Group operated in the retail channel through 46 stores (28 directly-operated stores - DOS and 10 outlets located in Italy plus 7 DOS and 1 outlet located outside of Italy). 7 DOS and 1 outlet were opened during the first six months of 2014, of which 2 DOS in Italy and 5 DOS and 1 outlet outside of Italy, while 1 Italian DOS has been closed during the same period.

### Breakdown of revenues by geographic area

The geographic breakdown of revenues for the first half 2014 compared to 2013 is as follows:

Percentage	Six months ended June	Six months ended June
	30, 2014	30, 2013
	%	%
Italy	73.1%	70.7%
EU	18.6%	19.8%
Non EU	8.3%	9.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Sales in Italy increased by 23%, while in the main foreign countries increased by 42% in Benelux, 11% in Russia, 15% in Spain. As a percentage of revenues, the Retail channel increased by 7%, to 25% for the six months ended 2014 from 18% for the six months ended June, 2013, due to the opening of 7 new stores during the first half 2014.

Other income and internally generated assets are composed of:

In Euro	Six months ended June 30, 2014	Six months ended June 30, 2013	Changes
Rental income	29,197	47,486	(18,289)
Reimbursements	76,902	64,781	12,121
Ordinary gains	13,017	605	12,412
Contingent asset	162,728	324,276	(161,548)
Other revenue	447,740	138,663	309,077
Internally generated assets	529,924	140,774	389,150
<b>Total other income and internally generated assets</b>	<b>1,259,508</b>	<b>716,585</b>	<b>542,923</b>

Rental income refers to the recharge of a portion of rental costs to Liviana Conti, a third party and sublessor.

Reimbursements mainly relate to the recovery of transport expenses recharged to clients for Euro 56,708.

Internally generated assets, amounting to Euro 529,924, mainly refer for Euro 76,295 to the implementation of the new management software of the retail channel "Store2", for Euro 109,785 to the project development of Online Shopping, for Euro 52,979 to the acquisition and implementation of the "PLM" software for the management of the product registration information, for Euro 205,534 to the employee costs related to development of the new Oracle JD Edwards management software, for Euro 24,542 to employee costs relating to the new personnel management software and for Euro 60,788 to the design of the new offices.

Other revenue, amounting to Euro 447,740, for Euro 350,000 relates to the sale of the old shop in Bari.

## Note 19 – OPERATING COSTS

In Euro	Six months ended June 30, 2014	Six months ended June 30, 2013	Changes
Purchase of raw materials, goods and changes in	38,374,917	34,038,765	4,336,152
Cost of services	32,928,587	26,621,515	6,307,072
Rent	5,422,286	3,050,638	2,371,648
Personal costs	11,456,133	7,527,474	3,928,659
Depreciation and Amortization	9,794,791	8,002,410	1,792,381
Write-downs of trade receivables	700,000	900,000	(200,000)
Provisions	225,843	50,000	175,843
Other operating costs	785,698	538,744	246,954
<b>Total operating costs</b>	<b>99,688,255</b>	<b>80,729,546</b>	<b>18,958,709</b>

Purchase of raw materials, goods and changes in inventory refer to all purchase costs of raw materials and finished products, including acquisition charges such as transports and customs, net of discounts, returns and allowances. This account also includes the change in inventories of raw materials, supplementary materials, consumables and goods, as detailed in the following table:

In Euro	Six months ended June 30, 2014	Six months ended June 30, 2013	Changes
Raw materials, supplementary materials, consumables and goods	38,097,312	33,680,763	4,416,549
Change in inventories of raw materials, supplementary materials, consumables and goods	277,605	358,002	(80,397)
<b>Total purchase of raw materials, goods and changes in inventory</b>	<b>38,374,917</b>	<b>34,038,765</b>	<b>4,336,152</b>

The breakdown and changes in cost of services in the period are as follows:

In Euro	Six months ended June 30, 2014	Six months ended June 30, 2013	Changes
Agent commissions	6,179,405	5,223,947	955,458
Marketing and advertising	6,893,929	5,381,450	1,512,479
External works	7,725,464	7,469,752	255,712
Logistics and transport	5,566,933	4,067,051	1,499,882
Administrative	1,993,971	1,494,520	499,451
Travelling expenses	767,506	384,255	383,251
Insurance	595,995	527,406	68,589
Other service costs	3,205,384	2,073,134	1,132,250
<b>Total cost of services</b>	<b>32,928,587</b>	<b>26,621,515</b>	<b>6,307,072</b>

The Cost of services grew by 24%, proportionally more than Revenues (+19%). The opening of new directly operated stores, which needs administrative and operative efforts, influenced Administrative, Travelling expenses and Other services costs, which increased in the first half 2014 compared to 2013.

The breakdown of rent costs is as follows:

In Euro	Six months ended June 30, 2014	Six months ended June 30, 2013	Changes
Rent expenses for shop, outlet and showroom	4,803,809	2,514,937	2,288,872
Rent expenses for headquarters	424,125	394,076	30,049
Other rent expenses	194,352	141,625	52,727
<b>Total rent</b>	<b>5,422,286</b>	<b>3,050,638</b>	<b>2,371,648</b>

The increase in rent expenses for shop, outlet and showroom is related to the new store and outlet openings, both in Italy and abroad (19 new openings in the last 12 months).

A breakdown by due date of future rental and operating lease commitments for directly operated stores, outlets, showrooms and other buildings is provided below:

Rental Obligations <sup>(1)</sup>	Expected cash payments falling due in the year ending December 31,			
	Total	2014	2015 - 2018	2019 and thereafter
Directly Operated Stores and Outlet Rental	86,797,239	6,233,930	51,004,601	29,558,708
Showroom Rental	959,702	191,094	743,608	25,000
Civil and Industrial Buildings	4,348,681	498,053	3,378,783	471,845
Related to Tessitura Sidoti and TS Shoes	1,023,649	145,759	847,890	30,000
<b>Total rental obligations</b>	<b>93,129,271</b>	<b>7,068,836</b>	<b>55,974,882</b>	<b>30,085,553</b>

(1) Future rental and operating lease commitments do not consider inflation rate adjustments, variable rents and any renewal option.

The breakdown and changes of personnel costs are illustrated in the following table:

In Euro	Six months ended June 30, 2014	Six months ended June 30, 2013	Changes
Salaries and wages	8,434,988	5,526,216	2,908,772
Social security contributions	2,474,897	1,641,910	832,987
Employee severance indemnities	545,047	359,348	185,699
Other costs	1,201	0	1,201
<b>Total personnel costs</b>	<b>11,456,133</b>	<b>7,527,474</b>	<b>3,928,659</b>

Personnel costs increased following the increase in employees numbers mainly at the Parent Company, both in the Retail channel and headquarters. As of June 30, 2014, the Group employed 621 employees (headcount). The following table shows the related breakdown by category and location, compared to previous year:

Employees number	As of June 30, 2014		As of June 30, 2013		Changes	
	Italy	Overseas	Italy	Overseas	Italy	Overseas
Senior Executives	6	1	3	-	3	1
Managers	16	-	13	-	3	-
Clerical/administrative staff	201	11	118	-	83	11
Workers	65	-	54	-	11	-
Retail staff	278	43	174	-	104	43
<b>Total employees number</b>	<b>566</b>	<b>55</b>	<b>362</b>	<b>0</b>	<b>204</b>	<b>55</b>
<b>Combined total employees (Italy and abroad)</b>	<b>621</b>		<b>362</b>		<b>259</b>	

The breakdown and changes in Depreciation and Amortization are illustrated in the following table:

In Euro	Six months ended June 30, 2014	Six months ended June 30, 2013	Changes
Depreciation	932,390	602,225	330,165
Amortization	8,862,401	7,400,185	1,462,216
<b>Total Depreciation and Amortization</b>	<b>9,794,791</b>	<b>8,002,410</b>	<b>1,792,381</b>

In relation to Depreciation and Amortization and to write-downs of trade receivables please refer to the corresponding asset accounts comments (please see on Notes 6, 5 and 9 respectively).

Other operating costs, amounting to Euro 785,698 (Euro 538,744 for the six months ended June 30, 2013) increased by Euro 246,954 compared to the same period of previous year and principally include gifts for Euro 408,000, stationery for Euro 121,987, contingent liabilities for Euro 91,153 and losses for disposals of property, plant and equipment for Euro 30,371.

## Note 20 – FINANCIAL INCOME AND EXPENSES

In Euro	Six months ended June 30, 2014	Six months ended June 30, 2013	Changes
Other financial income	19,387	116,745	(97,358)
Interest and other financial expenses	(5,564,577)	(5,169,032)	(395,545)
Foreign exchange gains/(losses)	(279,456)	208,789	(488,245)
<b>Total financial income/(expenses)</b>	<b>(5,824,646)</b>	<b>(4,843,498)</b>	<b>(981,148)</b>

Other financial income refers to interest income on bank current accounts.

The breakdown of interest and other financial expenses in the two periods is shown in the following table:

In Euro	Six months ended June 30, 2014	Six months ended June 30, 2013	Changes
Shareholder loan interests	2,694,056	2,532,377	161,679
Bank interests	2,850,951	2,628,304	222,647
Loan interests	2,517,921	1,989,128	528,793
Overdraft and short-term loan interests	36,271	77,464	(41,193)
Bank charges	296,759	561,712	(264,953)
Other interest expenses	19,570	8,351	11,219
<b>Total interest and other financial expenses</b>	<b>5,564,577</b>	<b>5,169,032</b>	<b>395,545</b>

The most significant expenses refer to interest accrued on Shareholder loan (Euro 2,694,056) and on other loans (Euro 2,517,921). Relating to this latter item, interests accrued on Senior Loan and on Capex Line amounted to Euro 1,831,841 and Euro 621,089 respectively. The residual Euro 64,991 refers to other loans.

Bank charges, amounting to Euro 296,759, principally include commissions on the unused Revolving Line for Euro 258,349.

Exchange gains and losses are composed of:

In Euro	Six months ended June 30, 2014			Six months ended June 30, 2013		
	Total	Gains	Losses	Total	Gains	Losses
Realised exchange gains/(losses)	(277,121)	46,319	(323,440)	248,069	338,931	(90,862)
Unrealised exchange gains/(losses)	(2,335)	26,958	(29,293)	(39,280)	22,889	(62,169)
<b>Total exchange gains/(losses)</b>	<b>(279,456)</b>	<b>73,277</b>	<b>(352,733)</b>	<b>208,789</b>	<b>361,820</b>	<b>(153,031)</b>

## Note 21 – EXTRAORDINARY INCOME AND EXPENSES

In Euro	Six months ended June 30, 2014	Six months ended June 30, 2013	Changes
Extraordinary income	630	7,925	(7,295)
Extraordinary expenses	(591,867)	(470,991)	(120,876)
<b>Total extraordinary income/(expenses)</b>	<b>(591,237)</b>	<b>(463,066)</b>	<b>(128,171)</b>

Extraordinary expenses principally include prior year non recurring expenses for Euro 564,215, goods theft for Euro 16,006, prior year taxes for Euro 8,544 and other extraordinary expenses for Euro 3,102.



## Note 22 – INCOME TAX AND DEFERRED TAX ASSETS AND LIABILITIES

The breakdown of income and deferred taxes is as follows:

In Euro	Six months ended June 30, 2014	Six months ended June 30, 2013	Changes
Current taxes	(3,243,170)	(2,147,618)	(1,095,552)
Deferred taxes	214,936	208,642	6,294
Prepaid taxes	1,565,655	(1,396,653)	2,962,308
<b>Total income tax</b>	<b>(1,462,579)</b>	<b>(3,335,629)</b>	<b>1,873,050</b>

In relation to temporary differences that resulted in the recording of deferred tax assets and liabilities, please refer to the following tables:

Deferred tax asset												
In Euro	As of December 31, 2013			Decreases for the six months ended June 30, 2014			Increases for the six months ended June 30, 2014			As of June 30, 2014		
Description of temporary differences	Assessable	%	Tax (a)	Assessable	%	Tax (b)	Assessable	%	Tax (c)	Assessable	%	Tax (d = b+c-a)
Amortization of intangible assets	131.690	31,4	41.351	-	31,0	-	-	31,0	-	131.690	31,0	41.351
Exchange losses	57.503	27,5	15.815	-	27,5	-	-	27,5	-	57.503	27,5	15.815
Doubtful debt provision	2.201.191	27,5	605.329	184.289	27,5	50.679	437.384	27,5	120.281	2.454.286	27,5	674.930
Stock provision	3.759.083	31,4	1.180.353	-	31,0	-	2.074.033	31,0	641.512	5.833.116	31,0	1.821.865
Agents indemnities	981.141	27,5	280.644	-	27,5	-	-	27,5	-	981.141	27,5	280.644
Association fees not paid	200	31,4	63	200	31,0	63	-	31,0	-	-	31,0	-
Provision for risks and returns	2.748.968	27,5	781.317	992.041	27,5	272.811	141.000	27,5	38.775	1.897.927	27,5	547.281
Directors fees not paid	12.000	27,5	3.300	-	27,5	-	-	27,5	-	12.000	27,5	3.300
Deferred tax asset on consolidation adjustments	171.728	31,4	53.923	171.728	31,0	53.923	3.638.736	31,0	1.142.563	3.638.736	31,0	1.142.563
<b>Total deferred tax assets</b>	<b>10.063.503</b>		<b>2.962.094</b>	<b>1.348.258</b>		<b>377.476</b>	<b>6.291.153</b>		<b>1.943.131</b>	<b>15.006.399</b>		<b>4.527.749</b>

Deferred tax liability												
In Euro	As of December, 31 2013			Decreases for the six months ended June 30, 2014			Increases for the six months ended June 30, 2014			As of June 30, 2014		
Description of temporary differences	Assessable	%	Tax (a) (a-b+c)	Assessable	%	Tax (b) (b)	Assessable	%	Tax (c) (c)	Assessable	%	Tax (d = b+c-a) (a-b+c+d)
Exchange gains not realised	157.844	27,5	51.762	-	27,5	-	-	27,5	-	157.844	27,5	51.762
Amort. trademark Twin Set allocation of merger deficit	26.007.531	31,4	8.166.364	684.507	31,0	214.936	-	31,0	-	25.323.024	31,0	7.951.428
<b>Total deferred tax liabilities</b>	<b>26.165.375</b>		<b>8.218.127</b>	<b>684.507</b>		<b>214.936</b>	<b>-</b>		<b>-</b>	<b>25.480.868</b>		<b>8.003.191</b>

Deferred tax assets mainly refer to the obsolescence provision, the non-deductible portion of doubtful debt provision and other non-deductible provisions for risks.

Deferred tax liabilities principally refer to the allocation of purchase price excess arising from the merger of Light Force and Fuori dal Sacco 2 to the main trademark "TWIN – SET Simona Barbieri".

## Note 23 - OTHER INFORMATION TO BE PROVIDED IN THE EXPLANATORY NOTES

### Changes in exchange rates after the period-end

There were no significant changes to report.

### Remuneration of Directors, Statutory Auditors and Independent Audit Firm

The breakdown of the remuneration of Directors, Statutory Auditors and Independent Audit Firm are shown in the following table:

In Euro	Six months ended June 30, 2014	Six months ended June 30, 2013	Changes
Board of Directors	701,916	393,698	308,218
Board of Statutory Auditors	29,750	25,000	4,750
Independent Auditors	63,397	109,923	(46,526)
<b>Total remuneration</b>	<b>795,063</b>	<b>528,621</b>	<b>266,442</b>

### Transactions with Related Parties

The Parent Company and the subsidiary Tessitura Sidoti undertake their activities through factories and warehouses under rental contracts, owned or under finance leases by the minority shareholder MO.DA Gioielli S.r.l.

MO.DA Gioielli S.r.l. also holds controlling shareholdings in the companies Liviana Conti S.r.l. and K8 S.r.l., operating in the women's clothing and accessory sector, marketed respectively under the brands "Liviana Conti" and "Erika Cavallini - Semi-Couture", companies which during the period undertook commercial transactions with the TWIN SET - Simona Barbieri Group.

No atypical and/or unusual transactions took place with related parties and all operations were governed at normal market conditions.

### Off-balance sheet agreements

The disclosures on off-balance sheet agreements pursuant to Article 38, letter o-*sexies* of Legislative Decree 127/1991 are not applicable since no off-balance sheet agreement was signed during or at the end of the period.

### Derivative Financial Instruments

As previously described, the Parent Company undertook forward operations in US Dollars. Furthermore two Interest Rate Swap contracts were signed with Unicredit S.p.A. and BBVA to partially hedge the interest rate risk on a Senior Loan, with effect from January 1, 2013. The financial effects of the above mentioned derivative financial instruments were already described in detail in Note 17.

## Note 24 – SUBSEQUENT EVENTS

Effective from July 9, 2014, Twin Set – Simona Barbieri, the Parent Company, changed its legal form from *società a responsabilità limitata* (S.r.l.) to *società per azioni* (S.p.A.). This change was in preparation for the issuance of Notes (as described below).

On July 22, 2014, Twin Set – Simona Barbieri (The Parent Company) issued an aggregate principal amount of floating rate notes (the "Notes") of €150.0 million.

The gross proceeds from the offering of the Notes were equal to Euro148.5 million. The Notes will mature on July 15, 2019.

Interest on notes will accrue at a rate per annum, reset quarterly, equal to EURIBOR plus 5.875%, as determined by the calculation agent (The Bank of New York Mellon, London branch).

The proceeds of the offering of the Notes were used by the Group to as follow: Euro 77.5 million to repay outstanding amounts under certain credit facilities, Euro 12.2 million to partially repay the Shareholder Loan, Euro 27.8 million to pay a distribution to our shareholders and, the remaining, for general corporate expansions purposes and transaction costs (approx. Euro 6 million).

## **AUDITORS' REVIEW REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2014**

**To the Board of Directors of  
TWIN SET – SIMONA BARBIERI S.p.A.**

### *Introduction*

We have reviewed the interim consolidated financial statements of Twin Set – Simona Barbieri S.p.A. (the “Company”) and subsidiaries (the “Twin Set – Simona Barbieri Group”) as of June 30, 2014 and for the six-months period then ended (the “Interim Consolidated Financial Statements”). The Interim Consolidated Financial Statements have been prepared to comply with certain reporting obligations required by the offering memorandum and regulation of the Senior Secured Floating Rates Notes due 2019 issued by the Company on 22<sup>nd</sup> July 2014. The Directors of Twin Set - Simona Barbieri S.p.A. are responsible for the preparation and presentation of these Interim Consolidated Financial Statements in accordance with the Italian accounting standard applicable to interim financial reporting (OIC 30). Our responsibility is to issue a report on these Interim Consolidated Financial Statements based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the Interim Consolidated Financial Statements of the Twin Set - Simona Barbieri Group as of and for the six-months period ended June 30, 2014 are not prepared, in all material aspects, in accordance with the Italian accounting standard OIC 30.

DELOITTE & TOUCHE S.p.A.



Giacomo Bellia  
Partner

Milan, Italy

September 26, 2014